STEEL ALLOCATION FOR PETROLEUM INDUSTRY

HEARINGS

BEFORE THE

COMMITTEE ON INTERIOR AND INSULAR AFFAIRS
UNITED STATES SENATE

EIGHTY-SECOND CONGRESS

FIRST SESSION

ON

STEEL ALLOCATION FOR PETROLEUM INDUSTRY

JULY 17 AND 19, 1951

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STEEL ALLOCATION FOR PETROLEUM INDUSTRY

TUESDAY, JULY 17, 1951

UNITED STATES SENATE,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D. C.

The committee met, pursuant to call, at 10:15 a. m., in room 224, Senate Office Building, Senator Joseph C. O'Mahoney (chairman) presiding.

Present: Senators Joseph C. O'Mahoney, Ernest W. McFarland, Clinton P. Anderson, Hugh Butler, Zales N. Ecton, George W. Malone, and Arthur V. Watkins.

Also present: Kenneth S. Wherry, United States Senator from Nebraska.

The CHAIRMAN. In calling this meeting to order, it may be appropriate to remark for the record that the Committee on Interior and Insular Affairs has jurisdiction over the general question of petroleum.

This committee was assigned, when it was set up in the Reorganization Act, a very broad jurisdiction extending from the eastern shores of the Virgin Islands to the western shores of the Trusteeship Territory in the Pacific Ocean, but it has direct and explicit jurisdiction over mineral resources on the public lands, on mining interests generally, on all mineral land laws and claims and entries thereunder; and finally, on petroleum conservation and the conservation of radium supply in the United States.

The committee on numerous occasions has looked into the problem of the development of petroleum resources of the United States, and the supply of synthetic fuels. The committee is alive to the fact that the Munitions Board, probably at the suggestion of the Petroleum Administration for Defense, has called upon the petroleum industry of the United States to increase the petroleum production in the United States at least a million barrels per day.

There are opportunities to increase our petroleum production, particularly in the public land States, and there is petroleum production in the public land States, and in other States, which would be available for use if there were proper means of transportation and if there were proper means for the production from the wells.

All this requires steel, and there has been a great deal of rumor and report in the country about the deficiency of steel for the purpose of developing petroleum, so we have requested the Secretary of the Interior, Oscar Chapman, to come before the committee this morning with his staff, to give us the record as to what has transpired to date in the allocation of steel to the petroleum industry in the United States.

The whole country, of course, is aware of the turbulence in Iran, of the great possibility that the Iranian supply of petroleum may be cut

off from Western Europe with a great effect upon the United States, so we would like to examine all of the aspects of this problem.

Today we invited the Petroleum Administration for Defense to be here. I have notified, however, the National Production Authority and the Defense Production Administration that this session was to be held.

Whether any representatives or observers from either of those organizations are present, I am not advised, but if they are I want them to feel perfectly at home, and to move up toward the front where we can see them as we go along.

Are there any such representatives here, National Production Administration or Defense Production Administration?

Won't you come up forward, please? I would like to have you in a position where you can hear everything that is said.

Senator ANDERSON. Could we not have them identified, so we can find out whether they have had any responsibility for cutting down the oil industry? Perhaps the three of them could sit right down there together. I wonder if you would be good enough to give your names to the reporter, please.

Mr. MCINTYRE. Mr. McIntyre, from Defense Production Administration, Fred L. McIntyre. I am with the general counsel of the Defense Production Administration.

Mr. HOPKINS. George Hopkins, Defense Production Administration.

The CHAIRMAN. Mr. Hopkins, what is your function?

Mr. HOPKINS. I am with the Material Resources Division, Defense Production Administration.

Mr. ROSE. I am Matthew J. Rose, in the Industrial Resources Division, and Mr. Hopkins is our petroleum expert.

The CHAIRMAN. We are glad to have a petroleum expert here.

Senator ANDERSON. Who allocates the steel to the oil industry?

Mr. ROSE. The Requirements Committee of the Defense Production.

Senator ANDERSON. Is anybody here from that Division?

Mr. ROSE. We do the staff work for the committee.

Mr. BROWN. Senator, I am a member of it along with representatives of other agencies. The actual decisions, of course, are made by the chairman, and should be. Allocation in the Defense Production Administration in the third quarter was by Mr. Charles Wampler, who was then Deputy Administrator of the Defense Production Administration. He has since left the Government, and the man who is currently Assistant Deputy Administrator and chairman of the Program and Requirements Committee is Mr. Melvin Anshen.

The CHAIRMAN. For an orderly presentation of the matter, I request that the Secretary of the Interior make an opening statement, but I might say to you, Mr. Secretary, that we hope before you finish you will bring into the scope of your discussion the reported proposed order with respect to the distribution of natural gas. That is an affiliated subject, of course, of equal interest to the committee with petroleum.

Secretary CHAPMAN. Yes, I will be very happy to, Mr. Chairman.

STATEMENT OF OSCAR L. CHAPMAN, SECRETARY OF THE INTERIOR AND PETROLEUM ADMINISTRATOR, ACCOMPANIED BY BRUCE K. BROWN, DEPUTY PETROLEUM ADMINISTRATOR

Mr. Chairman and committee members, before I start my prepared statement I would like to say this: Your committee has jurisdiction over practically all of the energy matters dealing with the Department of the Interior on its defense programs. The four principal agencies of the Department of the Interior dealing with the defense programs are energy functions mainly. Those things come within the jurisdiction of this committee. Therefore, I am very happy to be here with this committee to discuss particularly today this one phase, but I want to say to you that I do not wish to give any preference in the terms to one part of this energy over another as to their importance.

The electric power energy program and the coal energy program, the solid fuels and the minerals are equally important in terms of our national defense, but we happen to have at the moment a special problem in relation to oil that is causing us some concern.

That is why I am especially pleased to be here to discuss this matter with you today, as I know that the representatives of the Petroleum Administration for Defense are also pleased to be here to clarify any questions we may have, that you may have regarding our administration of this particular function.

The CHAIRMAN. Now, Mr. Secretary, would you be good enough to identify the members of the Petroleum Administration staff?

Secretary CHAPMAN. Yes. I want to say that Mr. Bruce Brown, the Deputy Administrator of the Petroleum Administration for Defense, is here; also Mr. Pratt Rather, who is Assistant Deputy Administrator in charge of Gas Transmission and Distribution; also Mr. Al Frame, Assistant Deputy, Domestic Oil; Mr. Hugh Stewart, Assistand Deputy; and Mr. George Wilson, Director of the Supply and Transportation Division.

Mr. BROWN. Mr. Dick Lawton, Director of our Production Division, and Mr. Frank Watts, Director of our Materials Division, are here. These other gentlemen are staff members. I will not introduce them.

Secretary CHAPMAN. They are each in a responsible position of their own within this agency, Mr. Chairman, and I am going to leave to them considerable part of the detail of discussion of this question today, but I want to bring out to you in my opening statement here, the outlying and overlying principles involved.

Now I come before you today with this additional responsibility as Administrator of the Petroleum Administration for Defense. As you know, this country is producing 6 million barrels of oil per day, and is using approximately 7 million. Now that creates a problem in the terms of just normal operations of the business.

Our purpose is to inform, not complain. It is fitting that the Congress should receive a summary statement, stripped of technical detail of the relationship that prevails between the supply of oil and gas available to the public and the supply of steel made available to the oil and gas industry to do its job.

In order to keep in step with the demand for oil and gas during this defense mobilization period, the domestic oil and gas industry requires

about 2,385,000 tons of steel in various shapes and forms for installations of facilities during the fourth quarter of 1951. Actually, as I shall explain later, the Petroleum Administration for Defense knows that much steel cannot be made available in the shapes needed. Accordingly, it has tailored its allocation request downward by 250,000 tons to 2,135,000 tons. This figure may be compared with the third quarter allotment actually made by DPA in the amount of 1,583,800 tons. This tonnage represented 67 percent of the actual needs for steel in the third quarter and was 74 percent of the steel actually used by the oil and gas industry during an average quarter during the first half of 1950.

Pipe and plate: While the oil and gas industry uses some steel in almost every conceivable form, its principal requirements are for pipe and for plate to fabricate tanks, distillation equipment, and refinery facilities. Approximately 70 percent of all the steel required is used in the form of pipe. Pipe uses include "oil country tubular goods" for oil and gas wells—really a specialized use of pipe—gathering lines to transport oil and gas from the wells to central collecting systems, pipe used in refineries, natural gasoline plants, terminals, oil field equipment and marketing facilities and—most importantly from the standpoint of volume of usage—pipe for the transportation of crude oil and refined petroleum products and pipe for the transmission and distribution of gas.

Plate needed for pipe: The principal bottleneck preventing maximum production of large diameter pipe needed for oil transportation and gas transmission appears to be a shortage of steel plate that can be allocated to the pipe mills. Thus, in a certain sense there is competition within the oil and gas industry for plate, because plate is needed both "as is" for tankage and refineries and as a raw material for some of the mills making large-diameter pipe.

Prior to the present emergency, the supply of steel plate was in practical balance with demand. However, the defense mobilization program resulted in many new demands for plate. These include the plate used in the direct military program and in some of the so-called defense supporting programs such as the construction of additional freight cars, locomotives, ore boats and barges as well as plate necessary in the construction of new steel-making facilities.

During World War II some steel mills previously devoted to rolling the thinner steel strips needed for the production of consumer durable goods were readjusted to roll the thicker plates needed for armaments and heavy industry. While the defense mobilization program presents the same problem on a smaller scale, few if any conversions of steel rolling mills from strip to plate have occurred. Our experts in PAD knowing this and knowing that it is physically impossible for us to obtain the full amount of large-diameter pipe required unless and until this is done, have deliberately reduced their request for steel allocation by 250,000 tons urgently needed in the form of pipe.

Pipe requirements: As I have said, approximately 70 percent of all of the steel required by the oil and gas industry is needed in the form of pipe. If we could obtain the full amount of steel needed for the fourth quarter, 70 percent would be used as pipe but due to the unavailability of sufficient plate to produce the required quantities of large-diameter pipe, the percentage figure will drop to 67 even if DPA fully responds to our requests.

Approximately 21 percent of all of the pipe required should be in the form of "oil country tubular goods" for the oil and gas well-drilling program and the remaining 79 percent should be line pipe in various sizes and for various purposes. Approximately 55 percent of the tonnage is required in large-diameter pipe, that is, 16 inches or above in diameter.

Uses of pipe: We are working on a program designed to cause the drilling of 43,400 wells in search of oil and gas in 1951. If anyone is thinking of going into the oil business on a wildcat basis, he ought to carefully check these figures.

This should result in about 28,500 producing wells after allowing for dry holes. To sustain this program, 437,000 tons of pipe in the form of "oil country tubular goods" is needed in the fourth quarter of 1951.

It is not enough merely to drill wells. More pipe in the form of gathering lines must be used to transport the oil and gas to central collection systems. Studies over many years' operations show that—after making full use of secondhand pipe obtained by removing and reusing old lines—25 tons of new line pipe are needed for every 100 tons of oil country tubular goods used. For the fourth quarter, 110,000 tons of line pipe are needed for this purpose. Unless it is available and properly distributed, all newly discovered oil and gas cannot be brought to immediate use.

Nor is it enough merely to pay these gathering lines. New fields must be connected with existing crude oil and gas transportation lines by extensions of the trunk system.

Nor is it enough merely to expand present crude oil pipeline systems. Oil continues to be discovered in new areas not served by pipelines at all. Oil production in known areas sometimes quickly expands far past the volume that can be transported in existing systems and it becomes necessary to construct entirely new trunk lines.

The necessity of such new trunk lines is rendered obvious by the insistent pleas of the units of the industry for priority assistance for their construction. The necessity can and has been proven statistically by our experts. They have determined that to care for the increased load of crude oil transportation occasioned by new fields and increased production demands it will be necessary to devote 740,000 tons of steel to laying new lines in 1951 and 1952, as well as about 116,000 tons to extend existing lines.

The necessity of such lines is dramatically illustrated in certain areas. More than 300,000 barrels a day of crude oil production is "backed up" in the West Texas-New Mexico Basin awaiting pipeline transportation from that area to points of possible refining and use. In the Rocky Mountain area, approximately 100,000 barrels of producible crude oil needed by midwestern refineries is awaiting the completion of the Platte pipeline. It is unfortunate, indeed, that this should occur at a time when approximately 5 percent of all of the oil available to nations outside the iron curtain is now cut off in Iran.

In the 12-month period ending April 1, 1951, domestic consumption of petroleum products rose 11 percent to 7,106,000 barrels per day. Excess of demand over domestic production was handled by imports. Predictions are that the next 12 months will result in still further increases in petroleum requirements. Unless steel is made available, the inevitable result will be that the petroleum industry will not be able to satisfy the demand.

Increased production, refining and consumer demand calls for increases in capacity of pipelines carrying finished petroleum products. Our experts estimate that new product lines extending 4,400 miles and requiring approximately 305,000 tons of new steel pipe must be constructed in 1951–52. Failure to build them as they are needed will contribute to product shortages at the points of intended use.

Pipe for gas: A remarkable expansion in the use of and demand for natural gas has occurred since the close of World War II, particularly in the northeastern quarter of the United States. An ambitious program for supplying additional natural gas to areas already served, and for supplying natural gas to new areas, has been in progress for some years. Prior to the declaration of the present emergency, the gas-transmitting companies were constructing new lines to serve this demand as rapidly as pipe could be delivered, and they had orders on file with the steel mills for years in advance.

This program was, of course, completely upset by the scramble for steel that occurred commencing in September 1950, and continuing down until July 1, 1951, when the Defense Production Administration commenced its steel allocation program. Out of the relatively meager allotment made PAD for the third quarter of 1951, it was possible to earmark only 515,000 tons of pipe for gas transmission and distribution lines. This represented less than 60 percent of the real demand for pipe actually needed in the third quarter to continue construction of projects already in progress. It provided nothing for the starting of new projects. Indeed, under present regulations no pipeline project can be started without explicit prior permission from PAD.

If the Defense Production Administration allots to PAD for the fourth quarter of 1951 the full amount of steel requested, the amount of line pipe available for gas-transmission projects will be about 420,850 tons, and for distribution lines about 140,000 tons. These supplies of pipe will be devoted entirely to completing or continuing projects that are already well advanced.

The supply of pipe requested will not be sufficient to permit the transmission projects to reach their ultimate destinations. The use of pipe will be screened in such a way as to permit, as far as feasible, each line under construction to reach some point at which the deliverable gas supplies can make a contribution to the peak winter demand for gas.

Despite the need for a gas line to the Pacific Northwest and for additional gas lines into New England, no recognition can be taken of these needs until more pipe is available, and projects under construction can be finished. Over-all, the gas transmission projects to be supported with additional pipe in the fourth quarter are already 75-percent completed.

Sufficient line pipe has not been available and will not be available in time to permit the completion of all gas transmission projects scheduled to be completed before the winter of 1951–52. That is why the Petroleum Administration for Defense is actively considering the issuance of an order temporarily prohibiting the addition of new heating loads and other large-scale loads on gas transmission systems in areas in which it is evident that natural gas will be in short supply.

Let me interpolate there for a moment to say this: There have been many rumors that I have heard recently that the proposed order as proposed by the Petroleum Administration for Defense was nothing

more than the natural gas companies trying to put the blame on the Government, on the Administration, on myself, to be specific, to take the blame and the heat for something that they would have to do in the final analysis if they did not have gas to deliver. I do not believe that to be the purpose of this order, but even if it was the purpose, I have a responsibility that is assigned to me under law, and I would not shirk that responsibility, unpleasant as it may be, just because it may be favorable in its public relations to some company or some office that is in the gas business.

I do not believe that is the purpose of this order, and I repeat again, even if it were, I still feel my responsibility requires that I warn the people and take what action consistent with my responsibility is necessary to relieve that situation.

Senator ANDERSON. I was going to ask, will the order hit everyone alike, the large user as well as the household user?

Secretary CHAPMAN. Surely, it will hit them all alike. We are going to discuss that in detail.

The very fact that such an order is under consideration has aroused widespread protests from potential consumers and from appliance manufacturers and distributors. Obviously, this does hit the appliance manufacturers, and they will naturally be unhappy about it.

I can well understand their dismay, but I hope that they will understand that the contemplated order is not part of a plot to control the end uses of fuels. Neither is it a scheme to promote the burning of substitute fuels such as coal or oil. As is evident from my report to you on steel, we are confronted with a distressing practical situation—a condition, not a theory. There is not enough steel pipe to complete, promptly, the projects under construction. When sufficient pipe can be procured and installed, there will be no reason for any restriction.

Until the lines can be completed, there are sound reasons for restraining the imposition of new gas loads on facilities that will not handle next winter's peak demand. Our gas experts tell me that should the feared event actually happen and should a community run out of gas, all of the thousands of gas appliances would have to be turned off. Gas service could not again be supplied until the lines had been purged of air and all appliances serviced. This might take large crews of trained men some weeks to accomplish.

I will leave the discussion of gas supply and possible limitation orders after pointing out that the situation is a simple illustration of cause and effect. I will leave that to the experts to testify in more detail before you.

No steel—no gas. However, I trust I can be forgiven for remarking that unless the oil people can be supplied with the steel they need, it is only a question of time before there will be a new wave of protests from automobile owners and home owners heating with oil. It is a very simple fact. I do not like to use such an expression as "no steel—no gas." But it is a factual thing, a practical thing with which we are faced.

The CHAIRMAN. Let me interrupt there, Mr. Secretary, to point out that there has been a tremendous increase in the production of steel in the United States. Only a few years ago, some of the leaders of the steel industry were saying that steel capacity need not be increased, but steel capacity has been increased, and in Mr. Wilson's second quarterly report to the President, which was issued on the 1st

of July of this year, on page 11, under the heading "Steel," we find this statement:

> If any single industry is basic to the whole industrial machine, that industry is steel. We are moving toward a steel ingot capacity of 118 million tons by mid-1953. Ingot production has now reached an annual rate of 108 million, but this output is somewhat in excess of rated capacity.

This proposed increase—that is, the contemplated increase to 118 million by July 1953—would be an 18-percent increase in 3 years. This increase, which has already taken place to 108 million tons raises the question as to what is happening with the tremendous output of the steel industry in the United States.

Yesterday before the Subcommittee on Defense Appropriations, of which I happen to be chairman, the Navy testified that it uses scarcely 2½ percent of the total output of steel in the United States. In the material which was prepared by the Joint Economic Committee, basic data relating to steel prices during 1950, we had this chart from authoritative sources, showing where the steel goes as of 1949.

The automotive industry was taking 19$^{1}/_{100}$ percent; jobbers, dealers, and distributors, 17$^{11}/_{100}$ percent; construction 13$^{26}/_{100}$ percent; containers, 7$^{69}/_{100}$ percent; railroads, 6$^{97}/_{100}$ percent; export, 6$^{55}/_{100}$ percent; machinery, 4$^{64}/_{100}$ percent; converters and processors, 4$^{37}/_{100}$ percent, and all others 20$^{1}/_{10}$ percent.

Now, the output of automobiles is decreasing. The output of tanks and motor equipment for military purposes naturally is increasing, but I have seen nothing to indicate such a great change in the utilization of steel, considering particularly the increased annual production of steel, to explain why it appears to be so difficult to obtain steel for the petroleum industry to meet the Munitions Board demand for a million barrels a day additional production of oil.

The CHAIRMAN. When these reports, these facts, are considered in connection with the reports which have come from the Small Business Committee of the United States Senate, of extensive black-market operations in steel, one wonders precisely what the defense authorities are doing to make certain that there is a proper allocation of steel and no black-market operations.

My reference to black market should be considered for just what it is, merely a recitation of reports which have come to me from the Senators, who have been members of the Small Business Committee, and from a few others. I have no facts with respect to it, but I am sure that Petroleum Administration for Defense must be looking into that phase of the matter, and also Defense Production Administration and National Production Administration; and I think, before this discussion is over, we shall want to know what the situation is.

Secretary CHAPMAN. Mr. Chairman, I think you will remember I testified before this committee, or the Small Business Committee, 4 years ago, that the steel industry had to increase its capacity in order to meet the normal demand growth of this country. No emergency or war was taken into consideration at that time. Of course, I was quite severely criticized, and it was said that I was socialistic for even suggesting such an idea that the steel industry should expand. I am very glad that my Socialist friends, the presidents of the steel companies, have now joined me and are increasing the steel capacity of all their plants, and they need to increase it even more.

We are not certain, and we have no way of knowing that 118 million tons is adequate to meet the normal demands of the country today, even without a war. We have no way of proving that it is.

The CHAIRMAN. At the time you prepared this statement, we discovered that back in 1900 the per capita use of steel in the United States was only 2,600 pounds, but that in 1949 that had increased to more than 23,000 pounds. In other words, as the country has expanded during this century, the per capita use of steel multiplied about 10 times.

Secretary CHAPMAN. Senator, when this program first started some 6 or 8 months ago, when we began to get it rolling, I did not have any doubt that we would be able to acquire sufficient steel for a private company to come in to build a pipeline for transportation of petroleum if they so desired. I have been severely shocked from that position to find that the steel is just not available. We have pipeline applications, probably a dozen before us, requiring thousands of tons of steel for which it is absolutely impossible for us to allocate because Defense Production Administration does not have the steel to give us.

Senator ANDERSON. How do you account for the statement that the chairman just made a minute ago that production was up to 108 million tons? Apparently, from the first page of your testimony, you in your own shop cut down 250,000 tons to bring down the actual need to 2,135,000 tons.

Secretary CHAPMAN. That is right.

Senator ANDERSON. Then Defense Production Administration cut that down to a million and a half.

Secretary CHAPMAN. That was the last quarter.

Mr. BROWN. We are saying what we need this quarter, and what we got last quarter.

Senator ANDERSON. What was the need in the third quarter?

Secretary CHAPMAN. About the same amount.

Senator ANDERSON. You need about 2 million tons.

Secretary CHAPMAN. Certainly.

Senator ANDERSON. So what difference does it make? You needed 2,100,000 tons; Defense Production Administration cut you down to 1,500,000 tons. Who is going to explain from Defense Production Administration why that cut had to be made, in view of this increase?

The CHAIRMAN. Of course, it will be the intention of the committee after we get all the facts, from the point of view of the Petroleum Administration for Defense, to ask the other agencies for the rationalization of what is transpiring. We want to know where the steel is going.

My attention was called the other day to the fact that the Cosmos Club of Washington has been granted authority to build a $700,000 social structure here. Now I have every admiration for the members of the Cosmos Club, their scientific attainments, and their influence in Government, but I must say that a social club in Washington, with its use of steel and other scarce building materials, has really no vital place in a defense economy. Yet, that approval was granted.

Senator MALONE. Mr. Chairman, I call to the attention of the distinguished chairman that most of the men who are doing the allocating are members of the Cosmos Club.

The CHAIRMAN. I am not so sure about that.

Senator MALONE. Therefore, they must be properly housed.

Secretary CHAPMAN. Mr. Chairman, may I make one statement in answer to this, and then I will be very happy to answer any questions. I want to say this for Defense Production Administration: They had made a cut in the materials to be used in the electric-power industry; and, after we had very carefully and in painstaking detail gone back to them and showed them exactly what it would mean to our industry and what it would mean to the shortage of the kilowatts that we needed in defense areas, they did increase the allocations for us.

I want to say this: When we give them the facts on this, and impress them, and give them the facts I think properly, they have been very considerate of us. I do not want to be critical that they are blindly going along on this. They are not.

The CHAIRMAN. I do not want to imply that either. We want the facts.

Secretary CHAPMAN. I want it known that that was an illustration in which they have gone out of their way to help us in order to get the necessary material to carry on the power program. They reduced the cut that they had made on the materials for the electric-power industry, and I wanted you to know that.

Senator ANDERSON. One right does not correct the other wrong.

Secretary CHAPMAN. No; I appreciate that.

Senator ANDERSON. If the situation is corrected, if we are producing 6 million barrels, and using 7 million barrels——

Secretary CHAPMAN. That is what we are doing.

Senator ANDERSON. We must be getting the balance from some place. Now, if by any chance any of that is coming from the Abadan area, and that is going to be cut off in any way, it would seem to be the part of wisdom to try to know how we are going to get more oil in our own country, and whether the refinery is the bottleneck, the pipeline is the bottleneck, or the oil country goods is the bottleneck, but Defense Production Administration decided a million and a half was all that was necessary.

Secretary CHAPMAN. I do not agree with their judgment.

Senator ANDERSON. What happened when they did it?

Secretary CHAPMAN. We had to cut back. The companies could not get enough pipe.

Senator ANDERSON. In electric motors, you got them to change it?

Secretary CHAPMAN. That is right.

Senator ANDERSON. What happened in pipe?

Secretary CHAPMAN. We have not been able to persuade them.

Mr. BROWN. May I take that? You see, it is not total steel, Senator. Ingots do not do us any good, and this 108 million tons of ingots does not turn out to be 108 million tons of steel. A lot goes back as scrap.

The CHAIRMAN. The significance of 108 million tons of ingot is merely this, Mr. Brown; that the capacity of the steel industry is measured in ingots.

Senator ANDERSON. Surely. What you did when you had a lower capacity, some of that went back in scrap. In speaking relatively, there is more steel; isn't there?

Mr. BROWN. Yes, but what the Secretary is trying to show is this: I do not want to defend the Cosmos Club one way or the other. We cannot build pipe with structural steel, and the difficulty is the limitation on pipe, not steel. In other words, we need plate to make pipe.

Senator ANDERSON. Do you mean to say there is no profit difference to a steel mill whether it makes structural steel or pipe?

Mr. BROWN. I do not think that is the point. There is a difference.

Senator ANDERSON. It is not as profitable to make steel plate.

Mr. BROWN. I think they are following the directives of Defense Production Administration all right.

Senator ANDERSON. If the directives are given out for them to make the greater profits, then they could follow along fine; could they not?

Senator WATKINS. I noticed when the chairman read the figures that there was still a lot of steel being exported. I wonder why that export is now taking place. Why shouldn't we allow the German mills, for instance, to increase their capacity and other places to take care of these exports?

Secretary CHAPMAN. I would like to take care of that in the rest of my statement, which is detailed, Senator, on that very point.

Senator WATKINS. The reason I am calling that to your attention is the fact that a number of years ago, when this matter was before the Joint Committee on the Economic Report, the steel companies stated they realized that possibly European and other production would come into being. Unless there was a demand for defense purposes, they would take care pretty well of the needs of the United States. The German, French, and Belgian mills can turn out more steel if we want to let them turn out more steel; at least, the Germans can.

Secretary CHAPMAN. Of course, all of their production combined would not be enough now to take care of a fraction of their own demands in those countries.

Senator ANDERSON. Oh, yes.

Secretary CHAPMAN. I say for the tubular goods. We have not cut them off. They just have not been producing.

Senator MALONE. I am just wondering why the plan does not allow German steel to expand. It was the plan of this country for years.

Secretary CHAPMAN. I do not know why.

Senator MALONE. Mr. Chairman, it would be very interesting and informative to allow Mr. Brown to complete his statement at this point on the question which was to distinguish between the tonnage of steel and ingots available for industrial and housing construction.

Senator WATKINS. Do I understand, Mr. Secretary, you are going to go into this matter?

Secretary CHAPMAN. Yes; we are going into that in more detail.

Senator WATKINS. I direct your attention to the fact that a few years ago the Geneva Steel Co. in Utah was shipping quantities of steel over to Arabia for the construction of pipelines there. Of course, that was in the national interest; but, if they had not had that market at that time, they probably would have had to close that mill down.

Secretary CHAPMAN. That is right.

Senator WATKINS. So, at that time there was something to be said on the other side about the steel companies not wanting to out run the domestic supply unless assurance can be given them there is going to be a war, and they can be guaranteed that we need all the steel they

can make if they expand it as far and as fast as we want it at this time.

So, actually, we did have to do a lot of exporting in order to keep our mills running at that time. Now, if the Germans had been permitted to go ahead, as some of us wanted to let them go ahead, prepare, and start their mills again, probably this shortage would not have occurred.

Secretary CHAPMAN. Mr. Brown, do you want to finish that statement at this point?

Mr. BROWN. If I may restate it: To start out with, our figure is 108 million tons of ingots. I was observing, and I guess the committee understands anyway, that in making steel you trim off part of it, and scrap necessarily goes back into the steel-making process. The point that I did not get to make there was this: The current production of finished shapes of steel, whether they be structural steel for the Cosmos Club or pipeline for the Platte line, or whether they be plate for the automobile manufacturers and the refrigerator manufacturers, is about 80 million tons, and our oil and gas requirements of steel to keep going is more than 10 percent of that, as compared to the 2½ percent that the Navy was telling us about.

In other words, oil and gas is always a big user of steel. The other point I think I made to you, Senator, was that our difficulty about pipe is partly due to the diversion of plate from normal peacetime uses to other defense-supporting programs such as freight cars, barges, or boats and the building of new steel mills. Now that could be corrected by converting some of the mills that roll thin strips that are used for automobile pieces and refrigerators over to the thicker plate that the heavy industry uses. That is the only way to correct the plate situation, and until the plate situation is corrected, we cannot correct the pipe situation.

Senator BUTLER. Mr. Chairman, that touches pretty closely to the point that I wanted explained.

You have an organization set up here that distributes the material that is made available for you to distribute, but aren't you clothed with authority to tell the mills what you are going to need?

Mr. BROWN. That is the authority of the Defense Production Administration that makes the decisions as to distribution, and the National Production Authority that, in effect, manages the authority for the economy.

Senator BUTLER. Has a proper order been made to see that the output of steel plate is increased?

Mr. BROWN. Not to my knowledge, sir.

Secretary CHAPMAN. That is one of the problems.

The CHAIRMAN. Let me interrupt. A moment ago, Mr. Rose at the end of the table, representing Defense Production Administration, indicated that he had something to say.

Mr. ROSE. Senator, I just wanted to keep the record straight. There has been no allocation of steel for construction of the Cosmos Club. There has been no allocation for the construction of industrial facilities and commercial facilities other than petroleum and administration for defense, for power and for certain of the mineral industries.

For the first quarter of complete allocation across the board, it will be the fourth quarter of this year. The other industrial facilities were not given an allocation. They were given a priority, but they

had to go find space in the mills on their own. I doubt very much whether many commercial facilities or any nonessential facilities will be allocated steel in the fourth quarter.

The CHAIRMAN. Representatives of the Navy testifying in this room yesterday indicated that for the purposes of securing necessary materials for the production of materials needed by the Navy, the controlled-materials plan was highly necessary. This they said was particularly true with respect to machine tools, because machine-tool manufacturers seemed to be unable to secure the material that they need.

A question that occurs in this inquiry that we are making is whether or not sufficient steps or the proper steps are being taken to make certain that we have a sufficient production of steel plate to supply the finished products like line pipe, for example, which can be made only out of steel plate.

Mr. ROSE. To give you some prospective, perhaps this would help. I recall the figure of 6 percent as the take of the railroad industry during 1949. It was around 6 percent.

The CHAIRMAN. 6.97 percent.

Mr. ROSE. Their request for steel during the fourth quarter amounted to more than 20 percent of the supply. That indicates the shift that has occurred to meet their needs for new cars.

Other defense-supporting industries, the Defense Production Administration, has a tremendous program for expansion that competes almost directly. The steel program is also competing for those demands.

It is a fairly temporary situation, because all of these programs came together at once, starting in the middle of last year, but the demands for steel now that the plants are out of the drawing boards and going up, is really tremendous, and I really do not think it will last long.

The steel people say that the structural mills will be looking for orders next spring, but there is not a piece of structural steel around today. Again, there is another factor. We have not put complete allocation control into effect until the next quarter of this year. There was partial control of the priority orders up to this time.

The CHAIRMAN. Do I understand that in the fourth quarter you are going to put complete allocation——

Mr. ROSE. As I understand it, that may not be necessary for consumer durables. The decision I do not believe has been made in that area, but everyone else will get an allocation which will be good for a piece of steel.

Senator ANDERSON. The only reason I raised the question as I did, Mr. Chairman, is that many of us have been delighted with the type of people that Secretary Chapman has brought into this Petroleum Administration for Defense headed by Mr. Brown, and so far as I know going all the way down to the people that he has brought in. They know the business, they know what to do about it, they know how to get the materials, but somehow they do not get the steel out of Defense Production Administration, and I just wondered if they needed some help in arguing with Defense Production Administration.

The CHAIRMAN. Senator Malone?

Senator MALONE. Mr. Chairman, it seems that 80 million tons is what we have to work with. This increase to 118 million would mean ingots and not steel.

Mr. BROWN. Eighteen-percent increase from approximately 100 to 118 million tons of ingots, and then the scrap is always trimmed off.

Senator MALONE. How much steel would that mean, 118 million?

Mr. BROWN. That would be about 85, would it not?

Secretary CHAPMAN. Between 85 and 90.

Senator MALONE. Mr. Chairman, apparently the committee has not clearly understood the language of the experts. There are at least four or five basic types of steel that are manufactured out of which the finished product is made, and the amount of the basic types turned out determines how much of the finished types can be produced. That includes your structural steel and the plate, strips, bars, and your reinforcing rods and structural steel.

Then would not the men allocating the steel have to start with the basic types and not just deal with the finished product, but direct the steel mills how much of each of these types, basic types are needed, and then talk to the fabricators in language of amounts of necessary fabricated steel to be allocated?

The CHAIRMAN. Of course, that is the eventual distribution which will come from this new allocation order of which Mr. Rose spoke.

Senator MALONE. I understand that, but the language used in this committee is confusing unless they do use the language referring to the basic types of steel to be manufactured at the plants and then designate the types of finished steel that must be fabricated from the basic types. Maybe we could use the common language here so we could better understand it.

The CHAIRMAN. We will urge the witnesses to use understandable language.

Senator MALONE. It should be understood that there are not 118 million tons of steel, but 85 million tons to be allocated between the basic types.

The CHAIRMAN. Let me say, Senator, that I used the language that was in Mr. Wilson's report, because the steel industry from time immemorial has measured its capacity in steel in tons of steel ingots, and I assume that everybody who had anything to do with problems of construction and distribution knew that the ingots had to be hammered into various shapes.

Senator MALONE. In other words, that we knew automatically instead of 108 million tons of steel, it was 80 million tons of steel. No; we did not know that. And of course, the reports that they turn out are then correspondingly misleading, and since they are not explained, it may be concluded that it is not intended that anybody understand them.

Senator ECTON. Mr. Chairman, may I ask Secretary Chapman a question?

You mentioned the fact that you had plans for 43,400 new wells, new oil wells.

Secretary CHAPMAN. That is right.

Senator ECTON. Now I want to ask if you had had any assurance up to date from the Defense Production Administration that there will be sufficient pipe and sufficient steel to build this number of new wells which you have planned in your program.

Secretary CHAPMAN. Yes, we have been given assurances that we will have the amount of steel needed for that particular drilling program.

Senator ECTON. Another question, and if you cannot answer it, maybe Mr. Hopkins over here can.

A new company forming, contemplating, prospecting for oil, and I presume they come under the wildcat category——

Secretary CHAPMAN. Mr. Brown will answer that one for you.

Senator ECTON. What assurance do they have that they can get enough pipe to go ahead and complete the drilling operations?

Mr. BROWN. A new company?

Senator ECTON. Yes; a new company.

Mr. BROWN. Every producer in the United States is invited to file with the Production Division of the Petroleum Administrator—Mr. Lawton is Director and is sitting over there now—his requirements on a quarterly basis outlining what wells he wants to drill and where. Now, we do not dictate to him where he drills, where he puts the wells. We have to know approximately where he wants to drill them because the different localities demand and require different amounts of steel.

Now, your newcomer would not have any historical basis, but if any company has been operating, it is also asked to file complete data on what their past history has been in oil-well drilling, and the inventory that they already have of the type of pipe required for drilling oil wells. On the basis of that information we in the third quarter issued—was it about 4,000 separate allocations of oil—tubular, oil country tubular goods, which was merely the privilege to buy. In other words, we could put a DO 48 on his order to buy a fair proportion of the oil country tubular goods if it were available.

Senator MALONE. Who gave him the order?

Mr. BROWN. If he could buy the steel without a priority order, he went ahead and bought it.

Senator MALONE. Who gave him the order if it was intended that he get the steel?

Mr. BROWN. It came from our Production Division.

Senator MALONE. The first priority was not good without the second?

Mr. BROWN. Remember, until the 1st of July steel was not under allocation at all. Everybody was scrambling for pipe as best he could, except that we had set aside, with the approval of the National Production Authority, a small kitty of oil country tubular goods in 13 warehouses in the United States. To satisfy the desperate needs of anybody in wildcatting, if he had a hole in the ground, he was able to draw on those stockpiles for pipe for completion of genuine wildcats. Commencing with the 1st of July, as the gentleman has said, allocation was made for steel, including a specific amount of oil country steel, and steel tubular goods.

These producers were invited in the spring to file their requests with Petroleum Administration for Defense for priority assistance, and letters were sent out authorizing them to place the DO 48 preference on their orders on the steel mill for a certain amount of pipe. We are repeating that process now for the fourth quarter. We will have to do it every quarter until pipe gets in good supply again.

Senator MALONE. Do you give out any of the first type permits that are not covered by the second?

Mr. BROWN. Up until the 1st of July the only steel we had to give out was this emergency stock for wildcats, and that is the only thing

we did give out. Now, we are in the control system under which we are able to pass out papers that entitle them to priority assistance in buying, and that is the only thing we are doing.

Senator MALONE. I did not understand whether or not you answered the question, if you are giving out the first type of permit that permits them to buy, if they can find it, without covering them with a specific allocation and direction as to where such amounts are located.

Mr. BROWN. No, sir. The priority assistance that we give, gives them implicit right to buy. It puts them at the head of the line with the steel mill to buy the pipe.

This other free use of pipe I am talking about the Petroleum Administration for Defense had nothing to do with. In other words, there was no regulation in effect. A producer did what he always did, tried to buy some pipe from somebody, used it without any approval or disapproval by Petroleum Administration for Defense at all.

Senator ANDERSON. Do you give a man more than a hunting license?

Mr. BROWN. Our experience to date has been that these things have not been hunting licenses, have they?

Mr. LAWTON. No. They are checks that steel is there——

Senator ANDERSON. Is that any different from a hunting license?

Mr. WATTS. The authorizations issued by Petroleum Administration for Defense through the PAD, 17 applications equal in tonnage the mill production of oil-country tubular goods, or in other words, as Mr. Lawton indicated, the checks that are issued by PAD are against the mills' production, or are checks that can be cashed actually in tonnage.

Senator ECTON. Mr. Chairman, one more question of Mr. Brown.

Senator ANDERSON. If we could get that last one answered, it would certainly help both Senator Malone and me. It has not been answered thus far.

Do you regard as an answer what he just got through saying? He says that there is a total amount of material at the mills, and a total amount of orders given against it, and therefore you should be able to get it, but can you get it? Is it more right now than a hunting license?

Mr. BROWN. I think it is, sir, but there is another factor that has not been introduced here that would perhaps explain many of these questions. We are in a very fortunate position in oil-country tubular goods because nobody uses those goods except the oil industry, with the exception of a few water and chemical wells, so when Defense Production Administration makes an allotment of steel, and tells National Production Administration to cause 400,000 tons of steel to be converted into oil-country tubular goods, that amount gets converted.

If we know that amount is going to be made, our production division is not going to issue any extra checks. In other words, they will only issue checks that are good for say 400,000 tons.

Now what you are suggesting is true in this sense: That it is the right to buy the steel with a DO–48 is a hunting license in that you have to find some steel mill that still has some of that steel, but it should all balance out eventually.

Senator ANDERSON. But if it does not, what good does it do, the fact that it should?

Mr. BROWN. But it does.

Secretary CHAPMAN. It has where they have the orders. Where they have had the DO orders from the Petroleum Administration for Defense, it has matched up and compared with the orders issued by the Defense Production Administration. So far, that has worked.

Senator ANDERSON. Do I understand then that so far there is nobody who has received an order from the Petroleum Administration for Defense to permit him to draw oil country goods who cannot go in and get those goods?

Mr. BROWN. It ought to balance out, Senator.

Senator ANDERSON. Have you had any complaints from people who are not able to get them?

Mr. BROWN. They may not be able to get 5½ diameter pipe because they may be all gone, but we are not issuing any more checks than there is steel in the bank.

Senator ANDERSON. What good does it do a fellow who is going to drill a shallow well to get permission to drill 7-inch casing when he cannot use it?

Mr. BROWN. Not too good.

Senator ANDERSON. I am just wondering if whether this 5½-inch casing is moving into the black market, when there is an open steady continuous black market in that 5½-inch pipe, with regularly quoted quotations; could it be that some of this is moving into the black market and not to the people?

Mr. BROWN. It could be, but it could be inventory that is being black marketed, and not new production.

Senator ANDERSON. If they give you the quotation f. o. b. Parkersburg, W. Va., you would conclude it might be coming from the mill, would you not?

Mr. BROWN. I do not know whether you would or not.

Mr. ROSE. I would like to make one comment. We are just moving into a full system. Things are not completely under control yet. In the third quarter not all steel was allocated. There are inventories hanging on the market. Certainly there will be a black market. It may last for perhaps a 3 or 4 months' period until those inventories are dried out, until the system gets into operation.

The CHAIRMAN. What you say now is intended to convey the thought that the black market is one concerning the disposal of inventories, and not the disposal of new goods in the mill?

Mr. ROSE. I would suggest that, Senator.

Senator ANDERSON. Isn't that a pretty harsh use of the words "black market"? A man who has inventory has a perfect right to decide whether he wants to push that down in a hole, or sell it to his neighbor, isn't that so? Is that black marketing?

Mr. BROWN. He has a perfect right, except if he gets pipe from us and sells it to his neighbor, he is not going to get any more pipe.

Senator ANDERSON. But he is talking about inventories.

Mr. ROSE. I will go back to my other statement we are just going into a control system.

Senator ANDERSON. Do you regard the sale of inventory acquired properly before July 1 as black-market operation?

Mr. ROSE. It depends, I imagine on the price, Senator.

Senator ANDERSON. But do you regard that as a black market?

Mr. ROSE. Not necessarily.

Senator ANDERSON. "Not necessarily," is like saying "Yes, a little," "No, not much." Do your regard it as black market?

Mr. ROSE. If all steel were controlled, I would say "Yes," but all steel is not controlled, is not controlled during this quarter, and will be next quarter.

The CHAIRMAN. Of course, from the point of view of the operator who wants to get some tubular goods to put in a new well, if he pays an excessive price, as many of them have been required to do for old pipe pulled out of abandoned holes, or for new pipe which has never been used before, he naturally regards it as a black-market operation. He is paying more than the market price, and there have been instances of that, have there not?

Mr. ROSE. I am not familiar with that.

The CHAIRMAN. Mr. Brown?

Mr. BROWN. Oh, yes.

The CHAIRMAN. There have been many instances of that, have there not?

Mr. BROWN. Senator, so I will not be misunderstood, what I have said about the ability to cash checks I meant to apply only to oil country tubular goods. In the field of plate for building tanks, our DO–48's have not been worth a thing. They have not even been a hunting license.

The CHAIRMAN. I wanted to point that out. When we talk about the distribution of plate, we are talking about the distribution of steel shapes out of which line pipe is made. Now what is the situation with respect to that?

Mr. BROWN. Well, we also make tanks out of plate, Senator, when we get it. We have been trying to issue this preference paper for steel plate to the industry to build some tanks before this winter. They were not able to get the steel on preference paper because a lot of other people use plate, and as Mr. Rose indicated, we are in a state of confusion for a quarter. As to oil country tubular goods, because nobody else uses them, we have operated under better control.

Senator BUTLER. Mr. Brown, I would think it would be a No. 1 priority in the use of this plate to transport the oil from these producing wells ahead of the use of plate for most anything else, making battleships or anything, because the tankers and ships are not going to be worth very much unless you get the oil. I am interested in getting some heavy tubular pipe for oil transportation.

Mr. BROWN. So am I.

Senator BUTLER. I would like to know if we are going to hear from Mr. Rose a little later to give his ideas of what the prospect of the industry getting some of that is.

The CHAIRMAN. Senator Wherry has been very patient here, sitting at the table as a welcomed guest who wants to ask a question or two.

Senator WHERRY. I appreciate this opportunity, and I will not detain you long. I will confine it just to one problem. I think this example might clarify the whole situation.

You are the claiming agent to whom the delegation of authority has been made to get steel tubular goods for petroleum production; isn't that true?

Secretary CHAPMAN. That is right.

Senator WHERRY. You stated here that it was not enough just to get enough steel pipe to drill 43,000 wells, which you said had been allocated, but you needed more pipe for gathering lines and transportation lines.

Secretary CHAPMAN. That is right.

Senator WHERRY. Do you feel that a transportation line is just as necessary as the steel that is allocated for the drilling of wells?

Secretary CHAPMAN. It is just as essential as the pipe you use to drill the well.

Senator WHERRY. Now, Mr. Secretary, I understood Mr. Rose to say that all the steel allocations had not been made for the third quarter. Was that a correct statement?

Mr. ROSE. There were segments in which no allocations were made.

Senator WHERRY. That is what I understood you to say, that all the allocations of steel had not been made for the third quarter.

Mr. ROSE. It is not planned to allocate to all segments in the third quarter.

Senator WHERRY. I just took the bare statement you made, because I am interested in that statement. Senator Anderson brought out very graphically the difference between amount of steel requested and the amount allocated. I mean that you asked around 2,135,000 tons for the third quarter. Now, the requirements group to which you appealed, cut that to 1,583,000 tons.

Secretary CHAPMAN. That is right.

Senator WHERRY. Your statement here on the bottom of page 4 indicates that the two most important requirements you have for pipeline are to take care of the amount of oil backed up in the Texas field, which you estimate to be around 300,000 barrels a day of crude oil——

Secretary CHAPMAN. That is right.

Senator WHERRY. And another field is the Rocky Mountain area in the amount of about 100,000 barrels.

Secretary CHAPMAN. That is right.

Senator WHERRY. Bearing in mind that you are the claiming agent, and that you have steel that is not allocated in the third quarter, and that a pipeline is needed to haul crude oil from the Rocky Mountain area where it is backed up to the tune of 100,000 barrels, would you recommend that the Platte Pipeline Co. would be a very necessary pipeline to get that job done?

Also let me ask you this. How do you explain to us, so we can report to our constituents, that out of 75 percent of the steel allocated in the third quarter, 1,183,800 tons, that the Platte Pipeline Co. did not get any allocation for that period?

You, as the claiming agent, say the Platte pipeline is necessary, yet no allocation of steel has gone to that project, in the third quarter? I think if you answer that question, we might find out what the trouble is in the Texas field, and in other fields.

Secretary CHAPMAN. I know, Senator, that you understand we have to determine which is the most important item you must move forward first, when you are dealing with a tight situation where everything is considered important. This is a tight situation, as we know.

When we come to allocating steel, we have been allocating it to those items that had to be increased, and had to move immediately,

such as increased refinery capacity that was mandatory, and then we had the necessity of finishing some pipelines that could be completed expeditiously.

Senator WHERRY. Such as the Platte pipeline?

Secretary CHAPMAN. The Platte pipeline, I might say, started at the wrong end.

Senator WHERRY. It started at both ends.

Secretary CHAPMAN. They cannot use the part they have already put in the ground there at all until they finish it.

Senator WHERRY. They started at both ends, did they not?

Secretary CHAPMAN. I think they did.

Senator WHERRY. I do not want to draw this out too lengthily, because the Chairman is after the general facts. The thing I want to bring out is that I understand from your evidence that the Platte pipeline would fit right into the groove, as a very necessary allocation. All I am asking is why didn't the Platte pipeline get an allocation in the third quarter.

Secretary CHAPMAN. The only reason I would give for that—and I will let the staff make its own detailed explanation of the problem—is that other items which had a higher priority took up all of the steel allocation we had. These items were for immediate use for immediate delivery.

Senator WHERRY. That is a refinery pipe, or steel, you mean?

Secretary CHAPMAN. Not necessarily, but pipe for other uses in the petroleum industry during that quarter.

From my own point of view, the Platte pipeline as well as the one in Texas are absolutely essentials and must be built as soon as we can get additional steel. Some of these other projects to which steel was allocated in this quarter either are finishing or almost in completed form. Now we need more steel to take care of the two lines under discussion.

I made this distinction: The question of priority forced us to make a choice between all of the items on the board. We had to choose, and we did choose, the items as being the most essential for the immediate necessity, rather than the Platte pipeline.

Senator WHERRY. Let me ask you this question. Is there any pipeline that has a priority ahead of the Platte pipeline in its same field; that is doing the same work as the pipeline intended to be done by the Platte Co.?

Secretary CHAPMAN. Let Mr. Brown answer that.

Senator WHERRY. You are the claiming agent, and the last time I went to your office, he did all the answering, and it did not satisfy me.

Secretary CHAPMAN. But it did not get the steel. Let us see if his answer has improved.

Senator WHERRY. All I want to know is this: Why should the Platte Line Co. be deprived of any allocat on? I grant that there may be other things more demanding. The Secretary has been doing a good job as our claiming agent. I am not complaining. He has done everything but get the steel. He has let the Cosmos Club get socialized, and everybody else.

Secretary CHAPMAN. You heard what Mr. Rose said.

Senator WHERRY. Based upon your statement that it is so necessary to get oil from the Texas field to the metropolitan centers and to the Rocky Mountains, with which I agree, and there might even be pipe

lines within pipelines that ought to have a greater priority percentagewise, yet I cannot conceive of any distribution so unfair as to stop the completion of a pipeline that has gotten so far along in construction. About 500 miles of the Platte pipeline has been completed, yet you would take away their entire allocation for the third quarter.

Secretary CHAPMAN. Senator, let me make one more effort at this.

The CHAIRMAN. Before you answer, Mr. Secretary, I want to get the record straight.

Senator WHERRY. Excuse me. Did I twist it up a little? If calling the Cosmos Club a socialized club is incorrect, I withdraw the statement. I got that clue from the Secretary.

The CHAIRMAN. You take care of the Cosmos Club. What I wanted to make clear on the record here is that we have two questions. We have the question first of the amount of steel which the Petroleum Administration for Defense receives from the Defense Production Administration and National Production Authority, and if that amount received from Defense Production Administration is not sufficient for the use of the Petroleum Administration for Defense, then of course there is a shortage there, and one of the primary purposes of this hearing is to determine how much steel Petroleum Administration for Defense requires to do this whole job of increasing the production and delivery of the petroleum which everybody recognizes is necessary.

And in the presentation of this case, I hope the Secretary will make clear how much more steel he feels he ought to have from Defense Production Administration than what he is receiving.

Secretary CHAPMAN. Senator, let me, before the record gets too far removed from Senator Wherry's question, answer on that Platte pipeline again.

Senator WHERRY. But I agree with the observations made here by the Senator completely, so the record is not twisted.

Secretary CHAPMAN. That is the objective of this hearing, to find out how much we need and what we can acquire here. But in answer to your question on the Platte pipeline, let me make this explanation: We got 76,951 tons of steel in the third quarter.

Senator WHERRY. For them?

Secretary CHAPMAN. For oil transportation.

Senator WHERRY. I am talking about the Platte Co.

Secretary CHAPMAN. Wait a minute. For oil transportation. We allotted that 76,000 to eight pipelines they finished. They completed eight pipelines with that 76,000 tons.

The Platte pipeline requires 100,000 to complete all by itself, so we took the 76,000 tons and completed eight pipelines where we could get the oil into the refineries and thence into the consumers' hands.

Senator WHERRY. You gave me that answer before.

Secretary CHAPMAN. But don't you think that has a higher priority use?

Senator WHERRY. I was taking your evidence. You mentioned the two big fields.

Secretary CHAPMAN. That is right.

Senator WHERRY. Here you are getting 43,000 wells built with an assurance you will have the pipe for it. Yet you have 300,000 barrels of crude oil backed up daily in the Texas field. You have 100,000 barrels backed up over in the Rocky Mountain area, and yet you are

not allotting 1 pound of pipe to get that pipeline built. They ought to get some percentage of the available tonnage.

Secretary CHAPMAN. That is our continuing argument with Defense Production Administration. I am trying to show them in this record how badly we need more steel, but we used what they gave us to such an advantage that we have put oil into the refineries with this present 76,000 tons.

Senator WHERRY. I heard you say you did not think there was any pipeline that was more necessary than the Platte pipeline.

Secretary CHAPMAN. There isn't, if you have enough pipe to finish it.

Senator WHERRY. And I do not think there is a pipeline any more important than the Platte pipeline. Therefore, why didn't it get some part of the allocation? In the light of the statement that Mr. Rose made, National Production Authority has not allocated all of the third-quarter steel. What is the Department of the Interior, the claimant agency, doing now about getting that which is not yet allocated for pipelines, whether you put it into the Platte, or wherever you put it?

Secretary CHAPMAN. Steel for petroleum, I think, was allocated. I do not think he meant to imply that that had not been allocated.

The CHAIRMAN. Mr. Rose has his hand up. Let us have your statement.

Mr. ROSE. Just for the record again, while there was no allocation made for certain segments of the economy, allowance had to be made for them. That is, they had priority assistance that had been given them, and while no direct allocation was made to them, they had to have some steel to carry on. For example, steel expansion received no allocation, and it will not until the fourth quarter, but they could get steel.

The CHAIRMAN. Let me ask you this question, Mr. Rose: What weight do you give in your organization to the needs of the petroleum industry for steel, for tubular goods, and for line pipe? In other words, why is it that in the third quarter you did not allocate Petroleum Administration for Defense the amount of pipe it requested, and why is it that in the fourth quarter, you are likewise not giving it the pipe it says it needs?

Mr. BROWN. They have not acted on it finally, as yet.

Secretary CHAPMAN. The fourth quarter has not been acted upon yet. We are hoping they will give us enough to cover this Platte pipeline and this other line from Texas. That is the reason I am making such a strong plea for them here, to show how we used this other 76,000 tons on the line business to show how effectively it was used, so that when the next quarter comes up, they will give us enough to finish these other two lines. We will put this much oil in refineries if we can get it.

The CHAIRMAN. Mr. Secretary, in order that I may make this clear with Mr. Rose while we have him here, my information was that you are requesting for the fourth quarter 2,200,000 tons.

Your statement here today, however, indicates that you need 2,385,000 tons for the fourth quarter, but you have tailored this allocation, this request down by 250,000 tons to 2,135,000.

Secretary CHAPMAN. That is right.

The CHAIRMAN. That means that although Petroleum Administration for Defense is of the opinion that the oil and gas industry

actually requires 2,385,000 tons of steel for the fourth quarter, you have been so impressed by the lack, the probable lack and possibility of getting that, that you have cut your request down to 2,135,000, and then you say, "This figure may be compared with the third quarter allotment actually made by Defense Production Administration in the amount of 1,583,800 tons."

The information which came to me was to the effect that the allocation to be anticipated from Defense Production Administration was considerably less than 2 million tons. I think I got that on pretty good authority.

Mr. BROWN. But we were more persuasive after that Senator.

The CHAIRMAN. Now how persuasive have you been?

Secretary CHAPMAN. We do not know until we see their figures.

Mr. BROWN. We have been this persuasive, that in the Iron and Steel Division of NPA, there is a Requirements Committee, the same as there is in every one of these structures——

Senator MALONE. Mr. Chairman, I suggest that since they have created so many boards and commissions with which to confuse the customer that they use the full name of such committees so we may know what they are talking about.

Mr. BROWN. The Iron and Steel Division of the National Production Authority is the one who has the responsibility for actually carrying out the decisions of the Defense Production Administration, in programing and planning the production of steel so it will come out in the right shapes in the fourth quarter, and in each quarter, and there is a Requirements Committee in which there are representatives of the various defense agencies present.

And as a result of Mr. Watts and his associates and their discussions with the Iron and Steel Division Requirements Committee, that committee, as I understand it—Mr. Watts, will you please check me—is recommending to higher authority a much larger allotment than they first planned of a million and a half tons, about 2 million; is that not right?

Mr. WATTS. One million eight hundred sixty-two thousand.

The CHAIRMAN. Well, 1,862,000 is still far below the 2,135,000 tons which the Petroleum Administration for Defense regards as its minimum requirements.

That leads me to the basic question which I think must be answered eventually by the Defense Production Administration, namely, why is it that the petroleum industry is being required to get along on less steel than the Petroleum Administration for Defense deems necessary, when the reports of the Department of Commerce on the shipments of iron and steel clearly indicate that the shipments for March 1951, the latest available, are all higher than in any month during the entire year of 1950.

Now for pipes and tubes, the shipment in April 1950 amounted to 743,000 tons. In March of this year, that had risen to 824,000. Plates in April of 1950 amounted to 438,000. In March 1951, they amounted to 681,000. Sheets, which is the largest type of steel shipped, amounted to 1,686,000, in April 1950. In March 1951, that had risen to 1,937,000.

I shall put this entire table in the record, but it is clear that in every line of steel production, the record for March 1951 is far ahead of any month during the year 1950, and this upward trend continues.

(The table above referred to follows:)

Metals and manufactures

[From the Survey of Current Business]

Unless otherwise stated, statistics through 1948 and descriptive notes are shown in the 1949 Statistical Supplement to the Survey	1950									1951			
	April	May	June	July	August	September	October	November	December	January	February	March	April
IRON AND STEEL													
Foreign trade:													
Iron and steel products (excl. advanced mfrs.):													
Exports, total.....short tons	258,084	290,000	346,392	249,671	252,086	281,102	263,069	285,918	261,104	307,817	[1] 266,896	353,630	.....
Scrap.....do	18,151	18,575	15,719	14,357	12,537	29,006	21,122	26,253	16,479	9,766	18,339	19,683	.....
Imports, total.....do	102,857	136,730	182,152	182,520	299,929	256,874	451,097	467,063	482,903	479,284	402,678	403,012	.....
Scrap.....do	18,408	21,090	45,220	26,102	121,140	94,601	123,831	128,456	98,700	66,902	46,017	54,489	.....
IRON AND STEEL SCRAP													
Consumption, total.....thous. of short tons	5,733	5,973	5,737	5,273	5,826	5,790	6,320	5,929	6,004	6,693	.....	.....	.....
Home scrap.....do	2,988	3,115	2,956	2,760	3,078	3,026	3,288	3,019	3,092	3,321	.....	.....	.....
Purchased scrap.....do	2,745	2,858	2,781	2,513	2,748	2,764	3,032	2,910	2,912	3,372	.....	.....	.....
Stocks, consumers', end of month, total.....do	4,511	4,646	5,151	5,553	5,816	5,767	5,805	5,475	5,240	5,462	.....	.....	.....
Home scrap.....do	1,315	1,371	1,499	1,602	1,699	1,711	1,667	1,560	1,490	1,337	.....	.....	.....
Purchased scrap.....do	3,196	3,275	3,652	3,951	4,117	4,056	4,138	3,914	3,751	4,125	.....	.....	.....
ORE													
Iron ore:													
All districts:													
Production.....thous. of long tons	2,999	10,740	12,355	13,477	14,478	13,887	12,999	7,401	3,362	3,812	3,315	3,525	.....
Shipments.....do	2,087	10,770	13,274	14,238	15,012	14,514	13,419	9,017	2,997	2,183	2,028	2,453	.....
Stocks, at mines, end of month.....do	10,337	10,306	9,460	8,685	8,154	7,527	7,107	5,490	5,856	7,476	8,762	9,829	.....
Lake Superior district:													
Shipments from upper lake ports.....do	349	9,496	11,738	12,704	12,482	12,191	11,380	6,993	873	0	0	0	6,211
Consumption by furnaces.....do	[1] 7,140	7,362	7,249	7,579	7,371	7,175	7,415	6,861	7,289	7,327	6,435	7,372	7,235
Stocks, end of month, total.....do	14,099	14,384	19,189	24,108	29,966	35,716	39,711	41,543	37,169	30,227	24,123	17,335	15,072
At furnaces.....do	11,033	11,544	15,997	20,651	26,084	31,398	35,651	36,919	31,771	25,658	20,324	14,919	13,258
On Lake Erie docks.....do	3,066	2,840	3,192	3,456	3,881	4,328	4,059	4,624	5,398	4,569	3,799	2,417	1,813
Imports.....do	334	678	893	792	852	920	964	733	376	620	573	661	.....
Manganese ore, imports (manganese content) thous. of long tons	68	64	107	88	56	70	67	57	88	59	69	81	.....
PIG IRON AND IRON MANUFACTURES													
Castings, gray iron:													
Unfilled orders for sale.....thous. of short tons	922	978	1,040	1,287	1,670	1,794	1,840	1,930	2,012	2,298	.....	.....	.....
Shipments, total.....do	981	1,095	1,136	961	1,202	1,159	1,255	1,161	1,182	1,364	.....	.....	.....
For sale.....do	484	573	613	508	677	649	701	657	653	762	.....	.....	.....
Castings, malleable iron:													
Orders, new, for sale.....short tons	42,663	43,256	56,322	55,715	77,093	67,136	57,852	68,491	65,942	.....	.....	.....	.....
Orders, unfilled, for sale.....do	76,250	77,074	86,783	105,300	132,374	152,583	160,278	180,099	194,950	234,060	.....	.....	.....

Castings, malleable iron:													
Orders, new, for sale—short tons	42,663	43,256	56,322	55,715	77,093	67,136	57,852	68,491	65,942				
Orders, unfilled, for sale—do	76,250	77,074	86,783	105,300	132,374	152,583	160,278	180,099	194,950	234,060			
Shipments, total—do	69,822	76,161	82,345	67,514	86,021	82,479	89,968	85,163	91,510	92,508			
For sale—do	36,279	42,432	46,613	37,198	50,019	46,927	50,157	48,670	51,091	54,817			
Pig iron:													
Production—thous. of short tons	5,577	5,855	5,633	5,879	5,770	5,697	5,924	5,387	5,693	5,894	5,176	6,016	5,888
Consumption—do	5,548	5,827	5,637	5,620	5,752	5,703	5,845	5,395	5,676	6,011			
Stocks (consumers' and suppliers'), end of month—thous. of short tons	1,144	1,168	1,197	1,366	1,427	1,408	1,303	1,465	1,481	1,775			
Prices, wholesale:													
Composite—dol. per long ton	47.28	47.28	47.28	47.28	47.48	47.95	49.87	50.53	53.19	53.58	53.58	53.58	53.61
Basic (furnace)—do	46.00	46.00	46.00	46.00	46.00	46.75	49.00	49.00	51.63	52.00	52.00	52.00	52.00
Foundry, No. 2, f. o. b. Neville Island—do	46.50	46.50	46.50	47.25	49.50	49.50	49.50	49.50	52.50	52.50	52.50	52.50	52.50
STEEL, CRUDE AND SEMIMANUFACTURES													
Steel castings:													
Shipments, total—short tons	107,129	117,773	131,097	98,269	128,369	134,574	149,558	145,929	155,258	174,056			
For sale, total—do	75,133	83,845	94,637	68,874	94,413	96,738	109,660	108,263	113,692	124,002			
Railway specialties—do	17,406	20,552	27,065	15,734	24,922	25,295	30,048	30,775	34,061	37,278			
Steel forgings, for sale:													
Orders, unfilled, total—do	357,238	372,804	408,345	445,567	547,552	620,407	643,119	656,586	673,823	708,784	781,234	874,598	
Drop and upset—do	297,032	311,811	342,535	391,820	483,840	530,689	549,214	560,354	562,239	595,875	636,611	697,335	
Press and open hammer—do	60,206	60,993	65,810	53,747	63,712	89,718	93,905	96,232	111,584	112,909	144,623	177,263	
Shipments, total—do	99,193	113,657	117,333	94,929	123,608	122,408	136,737	130,286	127,784	138,413	128,799	160,917	
Drop and upset—do	80,950	93,459	96,061	79,081	99,605	97,753	107,666	102,511	97,786	108,842	97,448	118,039	
Press and open hammer—do	18,243	20,198	21,272	15,848	24,003	24,655	29,071	27,775	29,998	29,571	31,351	42,878	
Steel ingots and steel for castings:													
Production—thous. of short tons	8,213	8,552	8,132	8,071	8,230	8,193	8,740	8,012	8,343	8,843	7,766	[1] 9,071	8,841
Percent of capacity [2]	100	101	99	95	96	99	102	97	98	100	97	102	103
Prices, wholesale:													
Composite, finished steel—dol. per lb	.0438	.0438	.0438	.0438	.0438	.0438	.0438	.0438	.0461	.0468	.0471	.0471	.0471
Steel billets, rerolling (producing point)—dol. per long ton	59.36	59.36	59.36	59.36	59.36	59.36	59.36	59.36	62.72	62.72	62.72	62.72	62.72
Structural steel (Pittsburgh)—dol. per lb	.0375	0.375	.0375	.0375	.0375	.0375	.0375	.0375	.0400	.0400	.0400	.0400	.0400
Steel scrap, heavy melting (Pittsburgh)—dol. per long ton	32.88	37.00	43.90	40.50	43.60	44.00	44.00	44.00	46.50	47.75	45.88	44.00	45.00
STEEL, MANUFACTURED PRODUCTS													
Barrels and drums, steel, heavy types:													
Orders, unfilled, end of month—thousands	4,659	4,410	4,856	5,795	7,138	7,182	7,532	8,049	9,024	9,517	9,938	10,614	
Shipments—do	1,721	1,967	2,089	2,128	2,704	2,435	2,517	2,588	2,604	2,766	2,313	2,762	
Stocks, end of month—do	28	35	36	44	49	36	32	32	25	50	52	48	

[1] Revised.

[2] Percent of capacity is calculated on annual capacity as follows: Data beginning Jan. 1951, on capacity as of Jan. 1 of 104,229,650 tons of steel; 1950—July–December, on 100,563,500 tons (as of July 1); January–June, on 99,392,800 tons (as of Jan. 1).

Metals and manufactures—Continued

Unless otherwise stated, statistics through 1948 and descriptive notes are shown in the 1949 Statistical Supplement to the Survey	1950									1951			
	April	May	June	July	August	September	October	November	December	January	February	March	April
STEEL, MANUFACTURED PRODUCTS—continued													
Cans, metal, shipments (in terms of steel consumed), total ..... short tons	224,203	282,923	356,117	396,681	551,451	431,161	349,858	301,350	352,487	271,782	239,543	268,782	.....
Food ..... do	130,753	164,147	228,767	264,343	395,266	310,916	230,772	192,709	235,523	160,492	148,689	164,861	.....
Nonfood ..... do	93,450	118,776	127,350	132,338	156,185	120,245	119,086	108,641	116,964	111,290	90,854	103,921	.....
Shipments for sale ..... do	187,986	241,985	312,661	364,504	498,369	382,891	313,218	265,628	320,501	234,285	203,920	224,960	.....
Commercial closures, production ..... millions	956	1,088	1,105	1,124	1,527	1,451	1,520	1,330	1,275	1,485	1,344	1,552	.....
Crowns, production ..... thousands gross	25,353	30,531	33,036	33,836	36,613	30,291	28,758	2,260	26,807	30,925	29,040	33,991	.....
Steel products, net shipments:													
Total ..... thous. of short tons	5,780	6,253	6,192	5,669	6,326	6,145	6,504	6,051	6,433	6,905	5,776	7,105	.....
Bars, hot rolled—Carbon and alloy ..... do	646	702	693	594	674	689	753	671	732	767	644	792	.....
Reinforcing ..... do	122	138	138	156	169	151	159	152	152	155	141	161	.....
Semimanufacturers ..... do	225	241	229	250	282	269	307	280	336	320	258	306	.....
Pipes and tubes ..... do	743	803	807	703	801	770	740	648	717	744	631	824	.....
Plates ..... do	438	467	447	393	454	482	542	540	551	631	522	681	.....
Rails ..... do	164	189	186	152	158	154	147	131	140	158	115	160	.....
Sheets ..... do	1,686	1,768	1,735	1,728	1,756	1,697	1,839	1,673	1,843	1,977	1,641	1,937	.....
Strip—Cold rolled ..... do	146	154	157	115	170	159	172	170	178	184	167	189	.....
Hot rolled ..... do	179	200	187	177	214	210	228	196	207	237	197	238	.....
Structural shapes, heavy ..... do	333	364	361	347	343	355	374	389	365	409	353	452	.....
Tin plate and terneplate ..... do	366	432	438	420	467	424	388	376	401	408	299	397	.....
Wire and wire products ..... do	429	456	471	354	495	433	495	484	452	510	442	524	.....
NONFERROUS METALS AND PRODUCTS													
Aluminum:													
Production, primary ..... short tons	58,024	61,929	60,400	63,518	63,006	59,449	62,915	62,276	65,897	67,954	62,740	70,022	.....
Imports, bauxite ..... long tons	248,354	225,388	167,154	182,954	207,852	213,408	149,449	203,639	250,187	236,515	228,436	222,030	.....
Price, wholesale, scrap castings (N. Y.) ..... dol. per lb	.0725	.0757	.0864	.0882	.0985	.1107	.1388	.1541	.1575	.1575	.1575	.1600	0.1723
Aluminum fabricated products, shipments, total ..... mil. of lbs	162.7	163.6	175.1	163.8	208.9	207.4	210.1	197.2	199.0	210.3	[1] [3] 190.5	[3] 206.5	.....
Castings ..... do	33.4	36.0	37.6	30.2	39.9	42.1	47.3	46.8	46.0	42.5	[3] 40.8	42.2	.....
Wrought products, total ..... do	129.4	127.5	137.5	133.6	169.1	165.3	162.8	150.4	153.0	167.8	[1] [3] 149.7	164.3	.....
Plate, sheet, and strip ..... do	89.4	85.7	92.7	90.3	113.0	110.2	106.8	99.7	101.6	113.1	[1] 95.6	101.0	.....
Brass sheets, wholesale price, mill ..... dol. per lb	.292	.312	.336	.342	.342	.363	.369	.378	.378	.378	.378	.378	.378
Copper:													
Production:													
Mine production, recoverable copper ..... short tons	73,303	74,467	74,828	72,582	80,222	76,666	77,800	81,957	81,712	[1] 80,352	73,012	[1] 83,104	82,409
Crude (mine or smelter, including custom intake) ..... short tons	83,782	83,286	96,754	85,378	93,138	86,678	90,542	90,148	91,218	86,961	81,598	[1] 91,243	91,055
Refined ..... do	102,202	112,411	112,961	96,758	108,465	111,849	110,435	101,410	109,464	110,144	101,954	112,922	102,404

Crude (mine or smelter, including custom intake) short tons	83,782	83,286	96,754	85,378	93,138	86,678	90,542	90,148	91,218	86,961	81,598	[1] 91,243	91,055
Refined do	103,293	112,411	113,961	96,758	108,465	111,842	110,435	101,410	109,464	110,144	101,054	112,933	103,494
Deliveries, refined, domestic do	101,729	113,837	125,016	96,006	112,107	119,529	121,806	111,985	121,954	108,128	99,485	116,793	114,744
Stocks, refined, end of month do	57,028	51,043	50,350	48,290	50,952	58,748	56,945	51,805	49,040	54,883	59,324	55,609	52,800
Exports, refined and manufactures do	17,120	14,064	11,434	9,785	12,230	12,035	11,925	12,226	20,905	8,729	16,027	14,457	--------
Imports, total do	34,520	66,117	87,222	29,347	33,576	36,298	62,526	38,823	54,807	45,828	44,850	36,062	--------
Unrefined, including scrap do	15,658	27,086	39,903	13,112	8,204	8,625	33,901	18,664	26,912	25,863	22,005	20,952	--------
Refined do	18,862	39,031	47,319	16,235	25,372	27,673	28,625	20,159	27,895	19,965	22,845	15,110	--------
Price, wholesale, electrolytic (N. Y.) dol. per lb	.1864	.1961	.2200	.2220	.2227	.2290	.2420	.2420	.2420	.2420	.2420	.2420	.2420
Lead:													
Ore (lead content):													
Mine production short tons	35,558	38,024	36,957	31,398	36,030	35,104	35,731	35,377	36,175	35,481	33,870	[1] 37,096	33,478
Receipts by smelters, domestic ore do	35,513	39,099	35,811	32,283	34,952	36,912	35,394	34,069	36,099	33,965	31,977	36,040	34,618
Refined (primary refineries):													
Production [4] do	48,196	48,989	44,490	41,520	47,242	49,958	54,123	50,725	48,234	48,878	43,675	50,701	44,362
Shipments (domestic) [4] do	33,751	45,702	35,774	41,188	47,031	55,898	62,138	58,658	49,601	51,260	49,128	50,927	42,033
Stocks, end of month [4] do	86,309	76,236	69,025	67,809	67,495	61,042	50,854	40,910	35,619	33,232	27,775	27,259	29,437
Price, wholesale, pig desilverized (N. Y.) dol. per lb	.1063	.1172	.1181	.1166	.1293	.1580	.1604	.1760	.1700	.1700	.1700	.1700	.1700
Imports, total, except mfrs. (lead content) short tons	32,787	54,917	41,523	35,646	50,412	41,831	43,810	61,002	114,696	31,526	12,898	14,918	--------
Tin:													
Production, pig long tons	2,743	3,185	2,605	2,574	2,717	3,130	3,653	3,529	3,383	3,566	3,423	3,491	--------
Consumption, pig do	5,488	6,120	6,478	6,571	8,157	7,092	7,059	6,678	6,799	6,456	--------	--------	--------
Stocks, pig, end of month, total [3] do	[5] 42,270	[5] 43,417	[5] 42,644	[5] 42,512	[5] 43,717	[5] 41,442	[5] 42,020	[1 5] 42,697	[5] 40,995	[5] 38,840	--------	--------	--------
Government [3] do	23,488	23,482	20,623	18,254	19,623	17,804	17,486	18,554	18,618	17,786	--------	--------	--------
Industrial do	18,427	19,230	20,117	22,780	21,910	22,587	23,666	[1] 22,931	21,931	20,728	--------	--------	--------
Imports:													
Ore (tin content) do	1,392	374	473	658	4,266	3,882	3,130	1,685	3,789	4,545	2,927	2,753	--------
Bars, blocks, pigs, etc do	2,941	10,434	8,613	11,621	8,254	5,136	6,357	5,008	4,019	[1] 5,836	2,213	4,405	--------
Price, wholesale, Straits (N. Y.) [7] dol. per lb	.7645	.7750	.7770	.8988	1.0205	1.0129	1.1335	1.3768	1.4478	1.7172	1.8268	1.4546	1.4583
Zinc:													
Mine production of recoverable zinc short tons	49,183	52,111	50,625	48,423	56,221	54,794	55,791	54,604	55,127	59,651	56,878	[1] 60,670	56,413
Slab zinc:													
Production do	75,877	79,645	75,766	77,868	73,399	71,057	79,997	79,226	79,986	80,937	70,285	80,450	77,813
Shipments, total do	83,133	90,346	90,920	84,116	79,365	75,241	81,156	79,079	80,357	79,609	69,380	80,462	74,407
Domestic do	73,389	71,101	68,214	67,119	69,073	70,656	71,596	69,202	72,333	72,068	64,784	70,845	69,113
Stocks, end of month do	52,520	41,819	26,665	20,417	14,451	10,267	9,108	9,255	8,884	10,212	11,117	11,105	14,511
Price, wholesale, prime Western (St. Louis) dol. per lb	.1066	.1197	.1465	.1500	.1505	.1710	.1750	.1750	.1750	.1750	.1750	.1750	.1750

[1] Revised.

[3] Data beginning February 1951 include figures for 30 companies (which operate captive extruding departments) not previously canvassed; for February, the shipments by the additional companies increased total shipments for fabricated and wrought products 3 and 4 percent, respectively.

[4] Revised series. Data beginning 1949 have been revised to exclude figures for secondary refineries; revisions prior to 1949 will be published later. The production figures (corresponding to those formerly designated as primary) include some secondary lead produced by primary refineries.

[5] Government stocks represent those available for industrial use.

[6] Includes small amount not distributed.

[7] Substituted series. Compiled by the *American Metal Market*: data represent average of daily closing prices (prior series was based on averages for the day).

Metals and manufactures—Continued

Unless otherwise stated, statistics through 1948 and descriptive notes are shown in the 1949 Statistical Supplement to the Survey	1950										1951			
	April	May	June	July	August	September	October	November	December	January	February	March	April	
NONFERROUS METALS AND PRODUCTS—Continued														
Imports, total (zinc content)	20,593	27,202	43,662	38,824	55,665	35,137	39,456	34,150	31,744	37,163	29,519	26,375		
For smelting, refining, and export	178	0	136	0	2,147	0	6,169	0	596	3,292	3,100	3,720		
For domestic consumption:														
Ore (zinc content)	7,044	13,309	20,141	20,467	43,921	19,724	20,446	20,665	20,001	25,307	15,594	15,292		
Blocks, pigs, etc.	13,371	13,893	13,385	18,357	12,617	15,413	12,841	13,485	11,147	8,564	4,825	7,363		
HEATING APPARATUS, EXCEPT ELECTRIC														
Boilers, radiators and convectors, cast iron:														
Boilers (round and square):														
Shipments	12,573	15,349	19,386	25,747	40,629	40,153	38,488	25,754	17,309	21,262	19,468	19,456		
Stocks, end of month	96,634	99,986	100,994	87,568	72,295	56,577	48,885	48,483	48,763	51,520	52,712	57,400		
Radiation:														
Shipments	2,440	2,025	3,513	4,020	6,449	5,714	5,798	5,127	4,372	4,675	4,311	4,658		
Stocks, end of month	7,056	7,505	7,821	6,531	4,846	4,020	3,200	2,766	2,951	3,028	3,099	3,717		

The CHAIRMAN. It would seem upon the basis of the figures that are available to us, there is no reason why the petroleum industry should not receive the steel that is necessary, and that is particularly important to the people of the United States because it is clear that, in the condition of the petroleum industry throughout the world, if we do not get the steel necessary to produce and distribute the petroleum which is in the United States, the next step will be to face rationing for our people, which is the thing that we ought to avoid.

Secretary CHAPMAN. Senator, that is what I warned you about in the first part of my statement, and I want to say that we need 2,135,000 tons to meet the requirements and the demands of the petroleum industry and of the people of this country.

Senator ANDERSON. Will you settle for 1,863,000 tons then?

Secretary CHAPMAN. If that is all I can get, I will have to, but we need more than that.

Senator ANDERSON. Don't you think you ought to come back and let some of us find out why they whittled you down?

Secretary CHAPMAN. We need 2,135,000. Of course, if I have to take anything else, I will take it, but that is all, and I am still going to continue to press my demands on what we need.

Senator ANDERSON. Mr. Secretary, I have not been critical of what you and your staff have been doing. I have been critical of what has happened after they have been doing their good work.

Secretary CHAPMAN. We will need 2,135,000 tons of steel, if we are going to meet the demands of this country, and keep the people from getting into rationing perhaps 8 to 10 months from now. We are going to have to meet that contingency if we do not watch our position right now. You cannot produce petroleum and steel overnight.

It takes time to develop a field and get the refinery producing, and even after you get the steel, it takes time to get the production into the hands of the consumer.

The CHAIRMAN. Mr. Secretary, we have interrupted you with the presentation of your original paper, so I will ask you to return to that, if you will.

Secretary CHAPMAN. All right, Senator; I have only a few more pages of this.

Senator WHERRY. I wish you would answer these questions. Just glance at that and see if you cannot answer them. You probably covered it in your statement. I am not sure, but I think it ought to be answered.

Secretary CHAPMAN. I can answer both of these, Senator, very clearly. Let me finish this.

Senator WHERRY. Yes. I thought maybe you could do it in your direct statement.

Secretary CHAPMAN. It does not quite cover it in the direct statement, but I will answer these.

(Senator Anderson assumed the chair.)

Secretary CHAPMAN. Thus far I have discussed the steel requirements of the domestic oil and gas industry mainly from the standpoint of the need for that 70 percent of the steel that must be used in the form of pipe. I must therefore emphasize that steel in other forms is just as important to the success of a balanced operation.

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We have determined that the basic capacity of the country to produce refined petroleum products in refineries and natural-gasoline plants must be expanded by 1 million barrels per day before the end of 1953. This is necessary to supply the products that are estimated as needed by the civilian population and for defense mobilization. A world war would still further increase the demand.

It is not enough to expand basic refining capacity. Additional crude oil must be produced or imported to stay in balance. Presently, the search for oil is limited by the supply of oil-country tubular goods. Based on the requests made of Petroleum Administration for Defense for materials, it is safe to say that many more wells would have been drilled in these past few months had pipe been available.

Additional tankage must be erected to balance out above-ground inventories with increased demand. Products stored near the point of intended use are a most valuable asset in time of emergency. When products are thus stored the transportation otherwise necessary is stored with them.

During this current third quarter of 1951, the supply of steel is so small that it is impossible to proceed full pace with the refinery-construction program. Actually, only about half of the steel necessary for that program is available.

Natural gas moves only in pipelines, and pipelines cannot traverse the oceans. Practically speaking, our interest in gas is continental but not global. Only our neighbors, Canada and Mexico, can be interested in our gas supply and we in theirs. Oil, however, can and does move in tank ships on the seven oceans, and from the defense mobilization standpoint our interest in oil is global. We cannot consider domestic petroleum without considering foreign petroleum. The fact that we use about a million barrels a day of imported petroleum is one illustration of this. The impending grave effects, all over the world, of a cessation of oil operations in Iran is another illustration.

American oil companies operating abroad and friendly foreign companies also need steel. Failure to supply it in sufficient quantities retards oil production just as surely as it does in this country.

While Petroleum Administration for Defense has programing and operating responsibilities for defense mobilization in the field of foreign oil, it must share these with the Economic Cooperation Administration, as to some countries, and with the Office of International Trade as to all countries insofar as the licensing of exports is concerned. The views of the State Department and of the Defense Department on foreign oil operations are highly important. Accordingly, the supply of steel for oil operations abroad—Canada is a special, similar case—is administered through an interagency committee composed of representatives of all of the agencies previously mentioned, and of National Production Authority and Defense Production Authority as well. The steel requirements of companies operating abroad are screened in accordance with the same standards used for domestic companies.

I have mentioned the foreign materials situation partly to explain how such matters are handled. Mainly, however, I wish to make it clear that we cannot segregate the question of the supply of steel to domestic companies from the supply of steel for foreign companies any more than we can consider the domestic oil-supply situation separately from the foreign oil-supply situation.

During the present third quarter, steel allocations made from United States mills to the entire oil industry of the free nations totalled 1,808,910 tons. Three percent went to Canada and 11.6 percent to other foreign countries. If Petroleum Administration for Defense's recommendations for the fourth quarter are followed, a total of 2,336,470 tons will be allotted, out of which about 2.2 percent will go to Canada and 6.28 percent to other foreign countries.

From time to time concern is expressed over the shipment of oil country tubular goods to support oil production operations abroad on the ground that such oil supplies as are developed may later be lost. Discussion of the principles involved is not a proper part of this brief report on the steel situation, but there has been such a widespread interest in this subject that I know you will be interested in this simple statistic. During the current quarter of 1951, authorization was given to export enough oil country tubular goods to drill 645 wells abroad. Five hundred and twelve of these wells are to be drilled in the Western Hemisphere. Only 35 in the entire Middle East.

In closing, I wish to express thanks for the interest your committee is showing in the steel supply situation and to pledge to you that the Petroleum Administration will make every effort to distribute the steel made available to it fairly and equitably, having due regard for the relative essentiality of various projects. It is important that the Congress and the public understand that oil and gas supply is dependent on steel supply.

Thank you, Mr. Chairman.

Senator ANDERSON. Senator Malone, do you have some questions?

Senator MALONE. I have a general statement that might be considered a question. We seem to have three or four agencies represented here, all very important in this particular picture, but confusing as to coordinated authority.

The Petroleum Administration for Defense seems to be the agency that estimates the amount of steel, among other things, that is necessary for the production and distribution of oil and gas; is that right?

Secretary CHAPMAN. Yes.

Senator MALONE. Now, then, we have another agency, Defense Production Administration. That is a planning agency and they are represented here, and they, I presume, plan and make recommendations as to the amount of materials that would be allocated to all of the different activities, including the oil and gas production, and distribution; is that correct?

Secretary CHAPMAN. That is correct.

Senator MALONE. Now, then, we have another board, the National Production Authority, an administrative agency, that issues the final order on the use of such materials. They are not represented. In other words, after establishing yourself with both of these committees or commissions or administrations, then you go to the one that is not represented here to get the final permit for the material; is that true?

Secretary CHAPMAN. They have to follow the orders of the Defense Production Administration. That is represented here.

Senator MALONE. In other words, the order may just as well be issued by the Defense Production Administration, because the National Production Authority, while technically the final authority is merely a rubber stamp for them?

Secretary CHAPMAN. They have to do what the Authority orders them to do,

Senator MALONE. Why have a National Production Authority then?

Secretary CHAPMAN. They cover so many other phases of this, other than just this problem. This is only one phase of their work.

Senator MALONE. Defense Production Administration covers all of it, does it not?

Secretary CHAPMAN. Yes. As Mr. Brown says, they have industry divisions just like Petroleum Administration itself has divisions within itself.

Senator MALONE. I understand that, but the Defense Production Administration is the paramount planning agency on programing.

Secretary CHAPMAN. That is correct.

Senator MALONE. And that covers the entire field.

Secretary CHAPMAN. That is correct.

Senator MALONE. If it does cover the entire field, and if the National Production Authority must do as they say, why the National Production Authority?

Secretary CHAPMAN. I think they need them. As Mr. Brown said, it is a practical business operation.

Senator MALONE. For the purpose of my question—I am simply trying to get this straightened out for myself and the committee—one agency of the Government handles the oil and gas production; the other handles the entire field, and receives the requests, I suppose, of the Petroleum Administration for Defense, and then yet another one must issue a permit.

Mr. Chairman, I would just like to make this observation. We have been here through the entire morning, and the Secretary has made a very good statement, yet we are still confused as to final authority.

Secretary CHAPMAN. Thank you.

Senator MALONE. But if we are going to get any place would it not be a good idea for these three agencies to get together on what they consider the correct decision and then come back and make a statement, or are we supposed to settle the problem and the arguments between these three Boards?

I would just like to get to the bottom of it, because we are all too busy to just listen to the Federal boards wrangle. We came to hear the Secretary, but where are we headed in the committee? What are we trying to do?

Senator ANDERSON. We are trying to make sure that the country has sufficient supply of oil, I think, to protect us against the possibility that we may have difficulties elsewhere.

Senator MALONE. There are some questions I would like to ask the Secretary regarding the supply of oil, but first I would like to clear up the confusion between numerous Federal boards.

Would it not be better for these three or more agencies to get together on a decision and then come before the committee with their decision?

Senator ANDERSON. I think that is all right. What I was going to say is, I think it would be a whole lot simpler if they would get together and tell the committee why they turned down the request for 2,000,000

tons of steel, a full description of who needed it worse than the oil industry needed it.

Senator MALONE. Mr. Chairman, I think you are right. I think the chairman has a point there, but first I would like to find out if we are supposed to make these people work as one team, to make their decisions for them, or are they supposed to get together and tell us what they consider the proper thing to do.

Senator ANDERSON. I do not think we have authority to make them work as one team.

Senator MALONE. Then, should they not get together before they come here?

Secretary CHAPMAN. I just have not been able to convince them. I am not a good salesman.

Senator MALONE. They all belong to the same administration. I do not believe they are likely to take my advice.

Secretary CHAPMAN. You would be surprised how much help you could be in this.

Senator ANDERSON. I think it might be helpful if the Defense Production Administration would give a statement now as to why it cut down the steel for oil country goods for the third quarter of 1951. Never mind what is going to happen in the future, what has happened in the past?

They were trying to get pipe for a respectable number of wells, they were trying to complete some pipelines. We had testimony before the Senate Committee on Interior and Insular Affairs on March 7 and 8 in a very fine hearing on the use of fuels in which the president of the El Paso Natural Gas Co., who is also president of the Independent Natural Gas Association, made the statement that from the standpoint of the development of the industry transportation, that the cheapest way of transporting heat was not by putting coal in a car or gas in the pipe lines, but putting oil in the pipe lines. Why did you cut the industry down?

Mr. ROSE. I could make a general statement, Senator, but I am afraid I cannot represent the Defense Production Administration on a broad question like that.

Senator ANDERSON. Who could? That is what Senator Malone and I would like to get. Who is the fellow who could?

Mr. ROSE. Mr. Anshen or Mr. Gibson.

Senator MALONE. Before we make this attempt, Mr. Chairman—and I see that is what it is going to be—the statement that I made of the relationship between these committees, was that a fair statement?

Mr. HOPKINS. No, sir, I do not think it was, because you seem to feel that DPA is a large organization comparable to PAD.

Senator MALONE. Let us use the names of these committees. I am not familiar with 30 or 40 of these creatures of the administration that have been created in the last few months. Let us just use the names of the committees now, or commissions, and get at it.

Mr. HOPKINS. We are talking about three agencies.

Senator MALONE. At least. Now, you define for the purpose of the record, and use the full name of the committee each time as to what each is supposed to do and who gets his order from whom.

Mr. HOPKINS. I will start with the Petroleum Administration for Defense. Claims for steel based on a program of so many wells, so many miles of pipe and so forth——

Senator MALONE. And that is the Petroleum Administration here in front of us. And they have made their request clear to you, I take it.

Senator ANDERSON. May I interpose a question?

Mr. HOPKINS. They made it for the third quarter and for the fourth quarter. It comes to us. We screen it and make recommendations to the program adjustment committee.

Senator MALONE. Who is that? That is a new one.

Mr. ROSE. The program adjustment committee, the members of the program adjustment committee are representatives of each of the claiming agencies.

Senator MALONE. Are these interlocking directorates? Do you have the same men on several of these committees? I have a very limited time to listen, and I would like to understand how this intricate machinery operates.

Mr. ROSE. There are two committees, the program adjustment committee, and the requirements committee.

Senator MALONE. That is a new one that has just been interjected, Mr. Chairman. I have not until this moment heard about the Program Adjustment Committee. Will you explain about their operations?

Mr. ROSE. These two committees are manned by representatives of the claimant agencies. The claimant agencies are those, such as Petroleum Adjustment which covers petroleum and gas, the Department of Agriculture, which covers the requirements for agriculture and food production, the National Production Agency which covers the requirements for things like nuts and bolts for all of the things that we use for consumer durables.

Senator MALONE. Now, how do the nuts and bolts get into the oil business.

Mr. ROSE. So the National Production Authority takes care of their needs.

Then there is——

Senator MALONE. It sort of overlaps?

Mr. ROSE. You cannot, I do not think, put that in any one bundle.

Then there is the Department of the Interior, itself, which covers its agency functions, such as the Indian affairs, and the Insular Affairs. There are about 25 members on the committee.

Senator MALONE. On which committee?

Mr. ROSE. On the Program Adjustment Committee and on the Requirements Committee.

Senator MALONE. What does the Program Adjustment Committee do? Does it take all of these recommendations and try to coordinate them?

Mr. ROSE. That is the purpose. Our request for steel in the third quarter totaled nearly 26,500,000 tons, as compared with 20 million of supply. Something had to be done to bring them into balance. There were 6 million tons less than the requests. The requirements were brought about before the Adjustment Committee and each request was discussed and it had to be reduced, some more than others. When the Program Adjustment Committee has talked things over, it recommends to the Requirements Committee——

Senator MALONE. There are 25 members of this committee?

Mr. ROSE. That is right.

Senator MALONE. Do they all meet at one time, the principal members of the committee meet and discuss these matters or do they send proxies?

Mr. ROSE. That is right, they are in session now. They have been in session for the last 2 days.

Senator MALONE. Who are the members of this important and indispensable committee? Who appoints them?

Senator ANDERSON. Would you file with the Secretary the names of the people on this Program Adjustment Committee subsequently so that it can be included in the record at this point?

(The information above referred to appears in attachment A of the appendixes.)

Senator ANDERSON. I am trying to find out who on that committee——

Senator MALONE. Mr. Chairman, I know we are on the same track. I do not blame some of my constituents for getting a little confused when after about the third week of tramping from one of these committees to the other they not only do not have any idea as to which committee has the final decision, but they have no idea of the number of committees to which the ball can be passed in conducting the hidden-ball trick.

Mr. ROSE. The Chairman of the Requirements Committee has the final decision to make.

Senator ANDERSON. Who is the chairman of the Requirements Committee?

Mr. ROSE. Mr. Melvin Anshen. He also is Deputy Administrator for the Defense Production Administration.

Senator MALONE. Would it not be a good idea to have a man like that that could make a final decision come before the committee?

Senator ANDERSON. I think we have the top people from the Department of the Interior and the Petroleum Administration for Defense, but we do not have the policy-making person from those committees. What I want to find is who there is over there that knows more about what the oil country needs in oil-country goods than Bruce Brown. After he had had all his experts go through it, then it is submitted to 25 people, 1 of whom is a representative of Agriculture and so forth and they decide what Bruce Brown ought to know about it if he was as smart as they were, and I would just like to get the color of the man's hair.

Senator MALONE. I suggest we have him here tomorrow morning, if he is the final word—since we seem to be wasting our time as it is.

Senator BUTLER. Could we have, Mr. Chairman, along with the other details that you asked for about the members of the Program Adjustment Committee, a list of the members of the Requirements Committee along with the name of the chairman?

(Attachment A of the appendixes contains a list of the members of the Requirements Committee.)

Senator ANDERSON. Who is the chairman of the Requirements Committee?

Mr. ROSE. Melvin Anshen.

Senator ANDERSON. Who is the chairman of the program——

Mr. ROSE. Jack Scanlen.

Senator ANDERSON. Who is he?

Mr. ROSE. He is Deputy Chief of Program and Requirements Division in the Defense Production Administration.

Senator MALONE. Mr. Chairman, I would like to make a suggestion.

Senator ANDERSON. One second. If you are with that shop, could we get a statement of his industrial background and so forth?

(Attachment A of the appendixes contains the biographical material requested.)

Mr. ROSE. He is detailed here from the Bell Telephone Co.

Senator ANDERSON. I assume he is a very fine person as Mr. Brown is but if he lacks oil experience, it is difficult.

Senator MALONE. Mr. Chairman, I suggest to this committee, as a matter of fact, I move——

Senator ANDERSON. I do not think we have enough of a quorum for you to move. We had better do it by unanimous consent.

Senator MALONE. At least I suggest that someone capable of doing this job list all of the committees and commissions and administrators that have anything to do with the allocation of materials, that they list them in order so we can understand which committee is paramount, what committee does certain types of work, makes certain recommendations just as the Petroleum Administration for Defense determines the amount of steel they think is necessary for the petroleum and gas industry, and that we once and for all, Mr. Chairman, get all of these committees together so we can have the list in front of us, and we will know then how much authority the man has who is doing the talking and who has the final say, and the step-by-step progress of a project, where a consumer would have to go in order to get his allocation finally approved. That would be very helpful to me, and also to the people of my State of Nevada who are wondering what has happened to their applications.

(The lists requested were furnished subsequently and appear in the appendixes.)

Senator ANDERSON. I think the suggestion has some real merit, and when we do meet tomorrow—we are trying to check now to see if we can—if we meet tomorrow I suggest, Mr. Brown, that you bring those agencies with whom you have to deal after you have made up your list of requirements.

I have tried to say that I think most people have a tremendous amount of confidence in Mr. Brown's experience and in his ability to run this position that he occupies, and we are very fortunate, I think, that he has been willing to sacrifice himself in coming here for it, but who do you have to go to next?

This is the programing committee you go to and then the requirements committee you go to.

Mr. BROWN. Could I speak to the subject, Senator, or do you want to save it for tomorrow?

Senator ANDERSON. Yes; but I still think Senator Malone is entitled to have the list we are talking about. Yes; go ahead, Mr. Brown.

Mr. BROWN. Certainly they can file a directory of all these things, but I am afraid we have gotten off into too much detail for a clear understanding. Let us start all over again. At the top of this defense mobilization effort, aside from Mr. Wilson himself and his immediate staff, there is this Defense Production Administration.

Senator BUTLER. Headed by Mr. Fleischmann.

Mr. BROWN. Currently by Mr. Fleischmann; yes.

Now the Defense Production Administration job, insofar as we have been talking about this morning, is to decide how to divide up the materials of the economy in the interests of defense mobilization, and their decisions are final.

I want to come back to them in a minute, but first I want to talk about the National Production Authority which was not well treated here. The National Production Authority is the operating agency of defense mobilization.

They have a bunch of people who are experts on iron, steel, copper, aluminum, jute, paper, fiber, and all those things. Manly Fleischmann is chairman of both. I want to come back now.

Calling a spade a spade, the National Production Authority, which is the administrative agency that dishes out materials to the petroleum industry, power industry, minerals, and agriculture, is not in this discussion because the decisions as to how the products are to be divided are made by the Defense Production Administration and it issues directives to the National Production Authority. It issued one in the third quarter. It said, "Make so much steel available to the oil and gas industry," and it was done.

Senator ANDERSON. There is no point in having them here.

Mr. BROWN. There is no maze of confusion between what we want and what we get. They do not agree with us. These committees are patterned after World War II in the War Production Board.

Senator MALONE. Of course the World War II set-up was the worst in the world, and probably the most confused.

Mr. BROWN. In order to brief the defense mobilization committees and keep them informed, they have all kinds of levels of committees, but the decisions are always made by the chairmen, and the chairmen are men in the Defense Production Administration.

The top man who makes the final decision and has the hard job of dividing up the steel among freight cars, automobiles, refrigerators, and oil, is currently Mr. Anshen. He is in the second level of the Defense Production Administration. He is not here. He has a committee of advisers. I am one of his advisers.

Senator MALONE. Let us get him here in the morning or at the next meeting, Mr. Chairman.

Senator ANDERSON. We will try to have him here tomorrow. We are going to try to find out now if we can meet in this room tomorrow. It depends on whether Senator O'Mahoney needs it for another meeting, but what we are anxious to find out—and I think the only way we can find it out is by talking to this man. When he starts to shrink down from 26 to 20, does he take into consideration—maybe the staff can answer this question—what these claimants used previously?

In other words, here is the oil industry that is tremendously important and gets cut to 67 percent of what its usage is, and a letter came in to me just a short time ago from a man who claims that he was offered 20 percent of the oil-country goods that he used last year, and he does not understand why he is cut to 20 percent.

How do you explain that to somebody with reference to the oil industry compared to these other people who have rushed in and said, "We need lots more steel for our operations"? We were up, as Senator O'Mahoney pointed out, in every one of these categories.

That being true, when you take out the amount required for defense, the rest of it ought to be divided up fairly evenly among the other claimants, had it not?

Mr. ROSE. Senator, I can say this: That the rate of capital formation, the rate of industrial expansion that is going on today is probably the highest in history, and the take for these heavy-metal products is tremendous and they are competing in demands.

Senator ANDERSON. Do you think they are all equally important with oil or more important?

Mr. ROSE. I know that some programs were cut more than others.

Senator ANDERSON. I know that, but I mean do you evaluate the slot machine against the oil rig? That is a bad phrase, but there are slot machines still being made.

Mr. ROSE. I think in addition, Senator, the imbalance in certain products is even worse than the total would indicate. I know that the requirements for plate are heavier than the requirements for sheet steel relatively.

Senator ANDERSON. But Mr. Brown pointed out a minute ago that you could change that if you did not roll as much thin plate and rolled a little more of the thicker type that might be useful.

Mr. ROSE. We were trying to avoid as much control as possible in the third quarter.

Senator ANDERSON. Of course it is simpler to avoid the control, but suppose they need the oil-country goods.

Mr. ROSE. In the fourth quarter we are going into complete allocation and there is an increase for the oil industry.

Senator ANDERSON. They need 2,385,000, and you will give them 1,862,000, which is down 500,000 tons, at a time when the Abadan refinery might close.

Does your group visualize what would happen in gasoline in this country if the Abadan refinery closed? How long would we stay out of gasoline rationing?

Mr. ROSE. I prefer to have Mr. Anshen answer that.

Senator ANDERSON. I would prefer to have him answer it too, because he probably would have to say a rather short period.

Senator BUTLER. Mr. Chairman, in connection with others who may be present, I hope someone will be able to answer the question why we have not given the go sign to the C. F. & I. who have wanted to extend their plate-making facilities.

Senator ANDERSON. Senator Malone objects to the use of initials. That is Colorado Fuel & Iron of Colorado.

Senator BUTLER. I would like to have somebody here in connection with the control of this industry give us an answer to that question. They could make that right out in the country where a lot of this steel is needed.

Mr. ROSE. I cannot answer that specifically. I will ask for information to be submitted to you.

(Information with respect to the status of a loan applied for by the Colorado Fuel & Iron Corp. appears in the appendixes.)

Senator BUTLER. That is one of the questions I would like to have answered.

Senator ANDERSON. I think that the statement made by the Secretary of the Interior a moment ago in answer to the question put to him by Senator Wherry was an important answer. He said that they had allotted this steel to complete pipelines so this oil would quickly get to the refineries, and I commend the decision to do it that way even if it does hurt in a certain spot. We have been trying to get a pipeline that picks up oil from Texas and New Mexico where there is a great surplus of it, but I do think that somebody has to assume the responsibility, unpleasant as it may be, and try to put this steel where it quickly completes something instead of having patchwork with no pipeline getting completed. I am glad that the decision has been made that these things will be done on the basis of actual completions. On that basis certainly the Platte pipeline is going to get completed pretty quickly.

Senator MALONE. Mr. Chairman, may I ask the Secretary another question? As I understood your testimony here earlier this year and also today, Mr. Secretary, there is no shortage of oil in this country if we could get the steel to bring the oil production to where it could be refined and had the refining capacity.

Secretary CHAPMAN. I think that is correct.

Senator MALONE. If that is true, then I would like to ask a few other questions, and if you do not have the answers, perhaps we could get them for the record.

Secretary CHAPMAN. Let us take a shot at them.

Senator MALONE. The first is how much steel has been exported under the ECA and the Marshall plan programs in the last, say, 2 years by year? And how much is estimated for the next year?

Secretary CHAPMAN. I do not have that. I will have to get that from the Commerce Department on the export license.

Senator MALONE. Could you get it for us?

Secretary CHAPMAN. Yes; we can get that.

(The information requested was subsequently supplied as follows:)

The Economic Cooperation Administration at the request of the Department of Interior submits the following information on the amount of money authorized for the purchase of iron and steel mill materials:

During the fiscal year 1951 (July 1950 through June 1951), the Economic Cooperation Administration authorized Marshall plan countries in Europe to use $28,800,000 in ECA dollars for purchases of iron and steel mill materials, steel mill products and ferro-alloys. This figure represented a sharp drop from the previous fiscal year, 1950, when the dollar total was $86,400,000.

These figures represent authorizations under ECA's commodity code No. 660—iron and steel mill materials, steel mill products, and ferro-alloys—which includes a wide range of steel products. There are 20 different subcommodity groups within the No. 660 code, ranging from pig iron and ferro-alloys to bars and rods; structural shapes; steel tubes, pipe and fittings; steel castings and forgings; and fabricated steel products. Equipment and products for the petroleum industry could fall into any one of these 20 subcommodity groups, but it is estimated that only a very small percentage of the ECA dollar financing was for Western European petroleum industry needs for steel products.

ECA said that steel that has been used for the Western European petroleum industry as such has generally been shipped in the form of finished products for use in exploration and refining.

Under United States allocations of unassembled steel products for the Western European petroleum industry for the present calendar quarter, less than 900 tons will be shipped to Marshall plan countries. The tonnage will be paid for by the

European countries with their own dollars as well as, in some cases, with ECA financing. These allocations include: for oil country tubular goods (tubing, casing, and drill pipe), 653 tons; plates hot-rolled, 2 tons; plates, cold-rolled, 4.2 tons; sheets cold-rolled, 212 tons; coils, spring wire, 27 tons; line pipe and other pipe, 135 tons; carbon steel plates, hot-rolled, 6 tons; electric welding rods and wire, 20.5 tons; wire nails, 1.1 tons; other nails, 0.8 tons; and bolts, machinery screws, etc., 10.1 tons. This makes a total of 861.9 tons.

Senator MALONE. And how much has been exported for the construction of steel facilities and for other purposes in foreign counties during the past two years through the Export-Import Bank and World Bank loans like for instance the steel plants in Colombia and Chile that are under construction now?

Secretary CHAPMAN. That would all be controlled by the export licenses of the Commerce Department which is the central place that you can get that information. I will get all that.

Senator MALONE. Since it is all steel, what I am getting at is that the answers to the two questions would add up to the amount of steel that has been exported to foreign countries during the past 2 years and in general what it was for.

We all know that there are large steel plants under construction in Colombia, in Chile and other foreign countries. There are steel plants under construction in many other countries. How much has it amounted to in these two categories in the last 2 years and what is planned for the next year? All that would come out of the steel supply that we are manufacturing here, would it not?

Mr. BROWN. Some of it is imported, of course, right along. We are also importing steel.

Senator MALONE. Give us the imports of steel. In other words, you come here and quote figures. First it is 108 or 118 million tons and then it actually scales down to 80 or 85 million tons of usable steel. Now if it develops that we import 10 million tons or some considerable amount, shouldn't we know something about the effect of such imports? Should we have the entire picture?

Secretary CHAPMAN. I think we can get you most of those figures. We can get that from the Commerce Department. They are available there.

(The information requested was subsequently supplied as follows:)

Export-Import Bank

Country	Credit No.	Purpose	Credits date	Authorized amount	Balance not yet disbursed	Amount disbursed
For the period July – December 1949:						
Chile	374	Steel mill equipment.	Sept. 11, 1945	$48,000,000.00	$10,000,000.00	$38,000,000.00
Mexico	323	do	Apr. 10, 1942	8,000,000.00		7,500,000.00
Do	366	Electrical equipment.	May 16, 1945	800,000.00	400,000.00	400,000.00
Italy	417-H	Steel mills	Oct. 23, 1947	9,000,000.00	783,483.37	8,216,516.63
Do	417-J	do	do	3,634,661.00	637,171.61	2,997,489.43
Do	417-L	do	do	1,000,000.00		1,000,000.00
Do	417-M	do	do	1,300,000.00	300,000.00	1,000,000.00
Do	417-N	do	do	3,000,000.00	489,942.52	2,510,057.48
Liberia	460	Iron ore production.	Apr. 27, 1949	4,000,000.00	400,000,000.00	
January – June 1950:						
Brazil	269	Steel mill equipment.	June 19, 1940	10,253,293.28		10,253,293.28
Do	269	do	do	34,746,706.72		34,746,706.28
Chile	374	do	Sept. 11, 1945	48,000,000.00	4,000,000.00	44,000,000.00
Mexico	323	do	Apr. 10, 1942	8,000,000.00		7,500,000.00
Do	366	Electrical equipment.	May 16, 1945	800,000.00		600,000.00
Italy [1]	417-H to 417-N.					
Liberia [1]	460					
July – December 1950:						
Brazil [2]	269					
Do	481	Steel mill equipment.	July 20, 1950	25,000,000.00	25,000,000.00	
Chile [2]	374					
Mexico [2]	323					
Turkey	407-U	Structural steel	Sept. 28, 1950	681,563.00	681,563.00	
Italy [2]	417-H to 417-N.					
Liberia [2]	460					

[1] See July-December 1949 report.
[2] See January-June 1950 report.
[3] See previous reports.

In addition, the Export-Import Bank furnished this information not incorporated in its report for 1951.

In a release dated March 22, 1951, the bank announced that among the projects which the bank had previously financed was an integrated steel mill in Chile.

New credits during the 6-month period ending December 31, 1950, included a loan of $25 million to assist in the expansion of the steel mill at Volta Redonda, Brazil.

On June 7, 1951, the bank announced that it had authorized a credit of $5,000,000 for the purpose of financing expansion of the steel mill at Altos Hornos de Mexico, Mexico.

The information pertaining to Export-Import Bank credits has been extracted from the semi-annual report of the institution. Information is listed only where the report shows that the credit was authorized for steel mill equipment or expansion.

Western European Steel Facilities Financed by International Bank Loans, July 24, 1951 [1]

A total of $28,600,000 of International Bank loan proceeds have been used to aid in the reconstruction and modernization of steel capacity in France, Belgium, and Luxemburg. Five new steel plants are involved and all of them have reached the productive stage. The purpose of the bank's loans was to finance the purchase in the United States of the equipment necessary for these plants.

[1] This information prepared by the Washington office of the International Bank.

France used about $10,800,000, out of a $250 million loan made by the bank in 1947, for reconstruction and expansion of her steel industry. Part of the funds have been used to purchase equipment for the first modern continuous hot-strip rolling mill on the Continent. The new mill, which is located at Denain, near the Belgian border, employs the same continuous production process used by steel plants in the United States. Production began at Denain on December 31, 1950, but the mill is not expected to be in full operation before the end of 1951.

Normal production in the first stage at Denain should aggregate between 600,000 and 700,000 tons a year. Later, capacity should move up to 800,000 tons, while on a three shift basis it may be stepped up to 1 million tons annually.

A continuous cold rolling mill, for which a part of the equipment costs were met with bank loan funds, was completed at Montataire, France, in January 1950. It has been in regular production for more than a year, and has a capacity of 250,000 tons of cold-rolled thin steel sheets annually.

In February 1949, the International Bank made a loan of $16 million to Belgium, and two privately owned steel companies in that country have benefited from the loan. A total of $5,800,000 was used to purchase and import from the United States equipment for a blooming mill for S. A. d'Ougree Marihaye, the second largest steel producer in Belgium. This mill has been in full operation for over a year and is producing at an annual rate of 900,000 tons.

A cold rolling mill of which equipment costing $4,500,000 was financed by the bank has been completed and in operation at Tilleur, Belgium, since June 1950. It is operated by Compagnie des Fers Blancs et Toles a Froid (Ferblatil), a subsidiary of S. A. John Cockerill, the largest steel company in Belgium. The tinning line at this plant started operation on March 15, 1951. It produces high-quality tin plate and is the only tinning line in continental Europe using the electrolytic tin-plating process. Capacity of the Tilleur plant is 24,000 tons of cold-rolled sheets and 60,000 tons of tin plate a year.

The remaining $5,700,000 of the Belgian loan has been used to meet the costs of equipment for a power plant in the Liege industrial district with a capacity of 100,000 kilowatts. The first turbine of this plant was started on May 21, 1951, and the second should be in operation by September, while by the end of the current year the plant will be operating at full capacity. This power plant, which is located at Awirs, is operated by the Union des Centrales Electriques de Liege-Namur-Luxemburg (Linalux). It will be interconnected with large industrial producers of the region, and will supply, among other plants, electric power to the new steel and tin-plating mill at Tilleur.

The Grand Duchy of Luxemburg used $7,500,000 of a $12,000,000 International Bank loan to defray part of the cost of equipping a hot-strip and cold rolling mill at Dudelange. Both mills have been in operation since last spring. The annual capacity of the hot mill is 400,000 tons and that of the cold mill 180,000 tons. Until additional steel-producing facilities are completed, however, it is not expected that these two mills will operate at full capacity.

Senator ANDERSON. If we have a session tomorrow—the clerk is trying to find out now. I do not think, Mr. Secretary, it would be essential for you to return, but I do think that Mr. Brown——

Secretary CHAPMAN. Mr. Brown will be here with members of his staff.

Senator ANDERSON. They have appointments too. So far as you know, Mr. Brown, would it be possible for you to be here tomorrow?

Mr. BROWN. I am supposed to speak to some oil jobbers someplace else, but I will be here if you want me.

Senator ANDERSON. We may not be able to use this room. Let me ask you a question, Mr. Brown, about the number of wells. You have down here that you are working on a program designed for drilling 43,400 wells. How does that compare with the number drilled in 1950?

Mr. BROWN. Slightly larger, sir.

Senator ANDERSON. How does it compare with 1949?

Secretary CHAPMAN. It varies a few hundred if I remember those figures.

Mr. BROWN. How many wells were drilled in 1949, Mr. Lawton?

Mr. LAWTON. About 38,000 or 39,000.

Mr. BROWN. Then it is up about 10 percent.

Senator ANDERSON. Therefore there should be enough steel to take care of the normal drilling program and some better than that. Is 437,000 tons enough for that program?

Mr. BROWN. It is enough for 43,400 wells. There are people who wanted to drill 52,000 wells in this country if we had had the pipe. We just do not have it.

Secretary CHAPMAN. But this many will keep up your normal supply to meet the demand there.

Senator MALONE. Mr. Chairman, I would like to ask Mr. Brown another question for clarification. He left me a little confused as to the standing of priorities for tubular steel issued by his committee.

He takes for granted—I think you so indicated, Mr. Brown—that the tubular steel is made up fabricated in accordance with these priorities, and that it is available, and that you grant permits up to the total amount fabricated assuming that the permittee will be able to locate it. Do you specify the sizes of pipe to the plants engaged in such fabrication?

Mr. BROWN. Do we direct the mills to make the right sizes? Not formally, although as we go along here and get more experienced, we are having more influence on them and they are moving to the right sizes to get the maximum amount of pipe.

Senator MALONE. You suggest the sizes and amounts?

Mr. BROWN. Oh, yes, suggestions.

Senator MALONE. But you have no control?

Mr. BROWN. No; but I would not say that they have been unwilling to follow our suggestions.

Senator MALONE. Do you know where each particular lot of this pipe is made?

Mr. BROWN. My people do. I could not relate it to you, but I have people here who can.

Senator MALONE. I, of course, mean your organization. You know who is making it and how much they are making of each of the sizes.

Secretary CHAPMAN. Right.

Senator MALONE. Is the price fixed on the completed steel?

Mr. BROWN. Yes.

Senator MALONE. And any violation of the price would be a black-market set-up?

Mr. BROWN. Yes.

Senator MALONE. Then you do keep enough of a record to know where the sizes are made and where they are available and the list purchase price, so that you can check such deliveries?

Mr. BROWN. We are learning more every week about it.

Senator MALONE. I received the impression from your previous statement that you had very little idea as to where this plate was available because, as Senator Anderson suggested, you merely gave a permit to someone which amounted in essence to a hunting license.

Mr. BROWN. They have to sell it to him.

Senator MALONE. They cannot refuse to sell it to him?

Mr. BROWN. No; not if there is a priority.

Senator MALONE. Can they select the priority they may accept?

Mr. BROWN. No; first come, first served.

Secretary CHAPMAN. First priority that is filed gets the first service?

Mr. BROWN. All priorities are treated alike. If you have 10 people that have the priority piece of paper, the fellow that gets to the mill first of course gets the first attention.

Senator MALONE. Couldn't there be collusion between the mill and certain permittees?

Mr. BROWN. There might be some dragging of the feet, but the fact remains that it would be a violation of the law if they sell pipe for which there was not a priority.

Senator MALONE. I mean suppose you issue priorities that add up on paper to the amount of tubular steel that should have been manufactured. Then could there not be collusion between any steel mill and any special permittee? In other words, he could say they were saving the steel for permits already filed whether it were true or not.

Mr. BROWN. He is violating the law if he does not honor the priority.

Senator MALONE. He would honor the priority, but he could say he received any certain permit first if he so desired.

Mr. BROWN. Oh, yes; I suppose he could.

Senator MALONE. In other words, we have cases in foreign trade where they give you permits to import but then refused exchange to pay for it, and on the other hand they may give you the necessary exchange and no permits, so finally you end up behind the eight ball in any case. We are continually receiving complaints that permits are being juggled in this manner. It is very confusing. New departments are created too fast even for a Senator to keep abreast of them let alone a consumer out 3,000 miles away. They come here and stay a month or more—the hotels are full of them—and do not even know the status of the application in one committee—then when they receive a permit they run into a stone wall with a second or third committee. It is difficult to understand how anyone can memorize the different commissions and administrators, without trying to understand their intricate inside negotiations or the maze of decisions necessary to actually finally get the material.

Shall we meet tomorrow, Mr. Chairman?

Senator ANDERSON. When Miss McSherry returns we will find out. Do you have some statements that you would like to make here with reference to the Defense Production Administration part of this?

Mr. ROSE. No, sir.

Mr. HOPKINS. I would just like to say in regard to your figure of 437,000 tons, that I do not personally agree with it.

Senator ANDERSON. You do not personally agree with it?

Mr. HOPKINS. No, sir.

Senator ANDERSON. In what way?

Mr. HOPKINS. There seems to be a feeling here that DPA should be a rubber-stamp outfit for whatever PAD claims.

Senator ANDERSON. Oh, no; nothing at all like that. How did you get that impression? Were you listening to what we were talking about? We were asking what reason you gave when you turned them down. Isn't that different from being a rubber stamp? What reason did you give in the allocation for giving them less and somebody else more?

Mr. HOPKINS. Those reasons are in my staff report which is in Defense Production Administration.

Senator ANDERSON. Does that involve rubber stamping? We did not suggest you had to be a rubber-stamp agency. By the same token we think there ought to be a sound reason why the oil industry is cut down. I realize that requests came up to 26 million and you only had 20 million.

We would like to know how you divided it up and the sort of rules that you got to make that division. Is that an unreasonable request on the part of the Congress?

Mr. HOPKINS. The oil staff of Defense Production Administration is composed of two people, and we really cannot do any more than hit the high spots.

Senator ANDERSON. But you screened Mr. Brown's request? Who screened it?

Mr. HOPKINS. I screened it, we screened it, the oil staff.

Senator ANDERSON. Tell us how you screened it then. What test did you put to it?

Mr. HOPKINS. We used the available statistics of the Iron and Steel Institute.

Senator ANDERSON. No, no; this is his request for material. You are screening what he is asking for as you start reducing everybody proportionately. What test did you apply?

Mr. HOPKINS. We are screening the claims of Petroleum Administration for Defense the best we can.

Senator ANDERSON. Screening does not mean shrinking, does it? Screening means you are going through to determine the validity of what he is asking for. What test did you put to that?

Mr. HOPKINS. We put it through the test of using the available statistics, the amount of oil country tubular goods used per thousand feet the same as they did, and we came up with a lower figure.

Senator ANDERSON. Did you submit that figure to Mr. Brown and show him how you had found out that he had the wrong figure?

Mr. HOPKINS. That was in our staff report to Defense Production Administration.

Senator ANDERSON. What was the figure that you came up with? You said you came up with a lower figure. What figure did you come up with? But you know it was lower. How much lower?

Mr. HOPKINS. It is being considered now by the Program Adjustment Committee. I do not know if I feel free to give it.

Senator ANDERSON. Why did you open the subject up then? You said you came up with a lower figure. Now that is either secret or it is not.

Mr. HOPKINS. It seems to me that the feeling around here was that Defense Production Administration should just be a——

Senator ANDERSON. You could help dispel that feeling if you would speak frankly, maybe.

Mr. HOPKINS. I cannot at this time. It is being considered by the Program Adjustment Committee.

Senator ANDERSON. The third quarter is not now being considered by them. That is over, is it not? The third quarter has been handled has it not? You gave them 1,500,000. Now, Mr. Brown submitted some figures for the third quarter, did he not? Did you screen those?

Mr. HOPKINS. I did not give him 1,500,000.

Senator ANDERSON. I know, but somebody did, didn't they?

Mr. HOPKINS. I think it was 1,593,000, to be correct.

Senator ANDERSON. Well, we can go back to the original testimony. Secretary Chapman said it was 1,583,800. Is there any question as to the figures introduced by the Secretary of the Interior? Do you challenge the figures?

Mr. HOPKINS. No.

Senator ANDERSON. Did he ask for more than that?

Mr. HOPKINS. I believe he did.

Senator ANDERSON. Did you screen it?

Mr. HOPKINS. Yes.

Senator ANDERSON. How did you screen it?

Mr. HOPKINS. As best we could.

Senator ANDERSON. What did you do to it? You calculated that he did not need the amount for the oil country goods?

Mr. HOPKINS. I was telling you we estimated the program. In the first place we took PAD's figure of total footage to be drilled. We accepted that and we translated that into oil country tubular goods required, and that was our figure.

Senator ANDERSON. Your figure was below his then.

Mr. HOPKINS. A little bit; yes.

Senator ANDERSON. Now, Mr. Brown, did your staff check your footage and see whether you had the right amount required or not?

Mr. BROWN. Yes; Senator, but anyway the third quarter allotments were not made by Mr. Hopkins. They were made by Mr. Wampler on the basis of what he thought was 85 percent of what the 1950 usage had been, and I do not think the staff reports were considered anyway. We have yet to see what happens in the fourth quarter.

Mr. Hopkins is analyzing these figures for Defense Production Administration. That is his job, but the decision that was made, and I know because I was there when it was made, was made with a broad brush. There was 26 million demand and 20 million supply, and then they cut down everything to get to 20 million. What they thought they were doing was giving heavy industry generally 85 percent of what they had used in the first quarter of 1950. That amounted to the figures in the Secretary's statement as far as oil was concerned, and it was done that way. We might as well be frank about it.

Senator ANDERSON. I think that is a very helpful statement because if that is what screening consists of, I can screen.

Mr. BROWN. For the future they may screen, but the third quarter screening was made just at a table like this.

Senator MALONE. Like the story of how the price of gold was arrived at. Mr. Chairman, one more question. The Secretary of the Interior has had a little rest. It is understood generally that there has been a cut-back in the production of oil in Texas from existing wells, that the production is being held down. The production in those fields is still cut back, is it not, in large part?

Secretary CHAPMAN. Yes, that is cut back around 150,000 barrels a day.

Senator MALONE. In other words, taking your statement that there are 300,000 barrels available in new fields, 300,000 barrels that is, in a certain new field in the Texas area, that does not include the cut-back?

Secretary CHAPMAN. No, that does not include the cut-backs.

Senator MALONE. That would be 450,000 barrels.

Secretary CHAPMAN. That is right.

Senator MALONE. It would be about 550,000 barrels if you had the tubular steel for transportation and for refinery capacity and it would come from these wells that are already available.

Secretary CHAPMAN. That is right.

Senator MALONE. If they had the steel and were allowed to go ahead and drill these 43,000 wells for additional production we would have no shortage of oil, but we would still have a shortage of refinery capacity, provided we lost Abadan?

Secretary CHAPMAN. That is a good statement. That is quite accurate.

Senator MALONE. The Newsweek on page 32 is a correct statement that the shortage of oil is because of lack of refining capacity?

Secretary CHAPMAN. Yes.

Senator MALONE. What we need is additional refining capacity.

Secretary CHAPMAN. Yes, to meet the increased production that we must have.

Senator MALONE. And we already have the increased production in sight if we can get the steel for additional refining capacity?

Secretary CHAPMAN. Yes, you have a half a million barrels a day in sight.

Senator MALONE. I think that is all, Mr. Chairman. Thank you, Mr. Secretary, for a very clear statement.

Senator ANDERSON. We will meet here Thursday morning at 10 o'clock.

Secretary CHAPMAN. Mr. Brown will be here.

Senator ANDERSON. Mr. Secretary, we will not ask you to return unless you desire to return and Mr. Brown, we recognize you may have other obligations.

Secretary CHAPMAN. He says he will be here.

Senator ANDERSON. Thank you. I think it would be helpful if Melvin Anshen would be here.

Secretary CHAPMAN. Manly Fleischmann.

Senator ANDERSON. I do not think we need him, but the difficulty is, Mr. Secretary, as so frequently happens, you are charged with the administration of the Petroleum Administration for Defense. That is your responsibility. You are a Cabinet officer.

You decide how much steel you need based on the most careful study you can make, and somebody way down the line in some other office decides arbitrarily to put a slice against it. It just does not make too much sense.

Senator MALONE. Mr. Chairman, I would like to say before we leave that I certainly meant no reflection on any members of these committees. I think they are doing the best they can under the circumstances, but it does seem sometimes that there are a maze of committees and commissions and administrators set up with a definite idea of confusing not only the consumer but the congressional committees, including the Members of Congress. and finally making it almost impossible to trace anything through. You just finally tire yourself out and give up.

Senator ANDERSON. Thank you, gentlemen.

(Whereupon, at 12:35 p. m., the hearing was adjourned to reconvene on Thursday, July 19, 1951, at 10 a. m.)

STEEL ALLOCATION FOR PETROLEUM INDUSTRY

THURSDAY, JULY 19, 1951

UNITED STATES SENATE,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D. C.

The committee met, pursuant to adjournment, at 10:25 a. m., in room 224, Senate Office Building, Senator Joseph C. O'Mahoney (chairman) presiding.

Present: Senators Joseph C. O'Mahoney, Clinton P. Anderson, Hugh Butler, and George W. Malone.

Also present: Kenneth S. Wherry, United States Senator from Nebraska; Bruce K. Brown, Deputy Petroleum Administrator.

The CHAIRMAN. The committee will come to order, please.

I must apologize to those members of the committee who were here in advance of the chairman. I was delayed at one of these radio broadcasts, Meet Your Congress.

As I came into the room I was handed a telegram received by Mr. Charles Hill, who is present in the audience, from one of his representatives, I suppose a member of the Rocky Mountain Oil and Gas Association, conveying the following information:

> Shell Montana flowed in 33 minutes from base Madison. Reported filled 300-barrel tank in 40 minutes. Still no Shell data but confirmed in New York release yesterday the well is good.

This is another indication of the possibility, the real probability, of bringing in larger supplies of petroleum in the Rocky Mountain region. Of course, Wyoming still leads all of these States, and we are glad to see the others come in with a little showing, so long as we can keep the leadership.

In that connection, I wish to read the following article appearing in the Wall Street Journal under date of July 18, 1951:

SOCONY UNIT NEW WELL

> LOS ANGELES.—General Petroleum Corp., west-coast affiliate of Socony-Vacuum Oil Co., Inc., announced it has discovered oil in a new location in Wyoming.
>
> The firm's wildcat well, Mabel West No. 1, struck oil at an interval between 7,227 and 7,281 feet in phosphoria limestone. In a drill-stem test, the well flowed at the rate of 720 barrels a day of 34° gravity clean oil, accompanied by sour gas.
>
> General Petroleum previously has discovered eight oil fields in Wyoming. The most recent was in April when it found the Tip Top field in Green River Basin area of western Wyoming.
>
> The new-discovery well is in the Manderson area, about 20 miles north of Worland, Wyo.
>
> General Petroleum has several thousand acres under lease in the immediate vicinity of the new well, a company spokesman said.

Senator MALONE. Mr. Chairman, we expect a wire almost momentarily from Nevada along the line of the telegram that you just read,

but of course Mr. Ickes said that we must not drill for oil, we must save these supplies, so it set us back about 20 years. We are started again.

The CHAIRMAN. Mr. Melvin L. Anshen, who is the Acting Deputy Administrator for Program and Requirements in the Defense Production Administration, has been good enough to come to the committee this morning. His name was mentioned the day before yesterday during the hearings, after I had been called away, and Senator Anderson, who was presiding at the time, addressed some questions to Mr. Hopkins.

I think the appropriate thing to do this morning would be to ask Senator Anderson to address any questions he may care to now to Mr. Anshen about the situation as it was developing toward the end of the hearing.

Senator ANDERSON. Mr. Chairman, I recognize that probably we took some advantage of Mr. Anshen the other day, but we did not intend to do it. I realize, Mr. Anshen, that you do not expect people from your staff to testify, and that is why we wanted to get the person over here who is in authority.

The question that arose was this: The request of the Petroleum Administrator for Defense, actually the Secretary of the Interior, for the third quarter was for some 2 million, two or three hundred thousand tons of oil-country goods. That request was trimmed down to about 1,590,000 tons.

What has happened we cannot correct, but we were worried that the same thing did not happen in the fourth quarter. My understanding from Mr. Brown and from the testimony of the Secretary is that for the fourth quarter they are going to ask for 2,385,000, or thought they should ask for that much. They trimmed down their request 250,000 tons, because they felt that certain sizes and quantities of pipe would not otherwise be available anyhow, so why make that extra request. That leaves them with a firm demand for 2,135,000 tons.

My understanding is that tentatively you have been dealing with a figure of about 1,862,000 tons as the fourth-quarter allocation. Our question is, in view of the present situation with reference to oil worldwide, particularly in view of the difficulties in Iran and elsewhere, do you think it is wise to cut the production of oil-country goods below the minimum figure which the Petroleum Administrator for Defense finds necessary to carry on the drilling program?

And the second question, after you have disposed of that—I only throw it in so that you can bring it up later—arose on the questioning of Senator Malone as to who were the members of the Requirements Committee. We have had a list supplied here today, but wish also to ask who are the members of this programing committee who take the first crack at it. (The lists referred to appear as attachment A in the appendixes.)

In other words, here is a Cabinet officer reaching a decision, and then has it reviewed by 25 people, not one of whom is even remotely close to Cabinet rank. We would like to have you talk to that later on, but if you would first deal with this subject of the reduction from 2,135,000 tons to 1,862,000, discussing if you care to the back history of how it went from 2,300,000 tons down to 1,583,800 tons in the third quarter, we would be glad to have your comments. I say that I

apologize to you for taking advantage of your absence the other day in asking members of your staff a question that should more properly have been asked of you.

STATEMENT OF MELVIN L. ANSHEN, ACTING DEPUTY ADMINISTRATOR FOR PROGRAM AND REQUIREMENTS, DEFENSE PRODUCTION ADMINISTRATION, ACCOMPANIED BY GEORGE N. LILYGREN, ASSISTANT DEPUTY ADMINISTRATOR, OFFICE OF PROGRAMS AND REQUIREMENTS, AND FRED L. McINTYRE, OFFICE OF GENERAL COUNSEL, DEFENSE PRODUCTION ADMINISTRATION

Mr. ANSHEN. That is quite all right, Senator. I am sorry the misunderstanding arose.

Mr. Chairman, and members of the committee, I should like, if I may, in dealing with your questions to take a few minutes for a brief preliminary statement, which I think will serve as a very useful background in understanding how we reached the decision we did.

I think you will be interested to learn something of the machinery we have for reviewing programs from all claimant agencies.

The CHAIRMAN. Before you do that, Mr. Anshen, if you will, please make a brief statement of your own background, and the period during which you have been serving in this capacity, and how long you have been with the Government.

Mr. ANSHEN. My name is Melvin Anshen. I am Acting Deputy Administrator for Program and Requirements in the Defense Production Administration.

I have with me Mr. George Lilygren on my left, who is Assistant Deputy Administrator in the same office; Mr. McIntyre, who is assistant to the general counsel of the Defense Production Administration.

Briefly, my personal history is that I was graduated from Harvard College in 1933, from the Harvard Business School in 1935. I was for 2 years a member of the school's research staff. I joined the faculty of the School of Business of Indiana University in 1937, and have been connected with that institution to this time.

From 1942 to June of 1946, I was with the War Production Board, for the first 2 years as Deputy Director of the Controller Division, and for about the last 2 years as Director of the Research Coordination Staff.

I have since the war been active as a consultant to the National Security Resources Board, and to the National Production Authority, and since February of this year on a full-time basis I have been associated with the Defense Production Administration, first as Assistant to the Director of the Office of Program and Requirements, and now, since his resignation, as Acting Deputy Administrator for Program and Requirements.

I might add that in that capacity I am also serving as chairman of the Requirements Committee.

Now to return, Senator Anderson, to your question.

The CHAIRMAN. Thank you very much.

Mr. ANSHEN. As you know, the Defense Production Administration is the agency responsible for programing the mobilization effort.

It is the responsibility of the Defense Production Administration to lay out the basic programs, and to apportion the materials in critical supply among the various sections of our economy—military, defense-supporting, civilian, and export. The National Production Authority is an operating agency. They have major responsibility for dealing directly with industry. We lay out the programs and they carry them out in the general industrial area.

There are other agencies which also have operating responsibilities, for example, the Petroleum Administration for Defense in effect functions as an industry division like the industry divisions of the National Production Authority. They have direct responsibilities for carrying out the basic programs we lay down with respect to the petroleum and gas industries.

Similarly, in the Department of Agriculture, there is the Production and Marketing Administration, which has responsibilities both for presenting requirements for agricultural machinery and for construction and for distributing materials that we make available for construction in the agricultural area.

There are other agencies in the Department of the Interior, such as the Defense Electric Power Administration, which has, among other responsibilities, that of taking the materials we tell them they can distribute, and deciding how they can apportion those materials as between various construction projects or transmission-line projects, and there are many other agencies. I will not bother to list them all.

Within the Defense Production Administration, the Office of Program and Requirements, of which I am now the Acting Director, has the principal programing job.

It is our responsibility to assemble requirements for materials in short supply, to appraise them, to compare them with the supplies available for meeting those requirements, and, with the assistance of the agencies that have responsibilities for operations, to reach decisions as to how to divide these materials in short supply.

We do not do this job alone. We do not attempt to make these very difficult decisions alone. Our principal advice comes from the Interagency Requirements Committee. This Requirements Committee is made up of representatives of all of the important Government agencies which have operating responsibilities for distributing materials.

Specifically, we have the Chairman of the Munitions Board, Mr. John D. Small, who advises us on military requirements. We have Mr. Bruce Brown, sitting across the table from me, the Deputy Administrator of the Petroleum Administration for Defense, who is our adviser on petroleum and gas requirements, or rather on material requirements for petroleum and gas industries.

We have a number of other advisers for other areas.

Mr. Geissler, of the Production and Marketing Administration of the Department of Agriculture, advises us on agricultural requirements.

Mr. Rentzel, who is the Under Secretary of Commerce for Transportation, advises us on transportation requirements.

The Administrator of the Defense Electric Power Administration advises us on electric-power requirements.

We have an adviser for civilian requirements. In this case he happens to be Mr. Lewis Weiss, who is the Assistant Administrator of the National Production Authority for Civilian Requirements.

We have an adviser, similarly, for construction requirements in the industrial area. He is the Assistant Administrator of the National Production Administration for the Facilities and Construction Bureau.

Senator ANDERSON. When you meet, does Frank Creedon come to that meeting?

Mr. ANSHEN. Yes, sir.

Senator ANDERSON. Does Mr. Geissler?

Mr. ANSHEN. Yes, sir.

Senator ANDERSON. And Jim Boyd?

Mr. ANSHEN. And James Boyd. I should have mentioned him. These men attend all meetings except when they are out of town.

Senator ANDERSON. How often does your committee meet?

Mr. ANSHEN. Our committee, at a time like this, when we are trying to make the fourth-quarter allocations, will meet for several days in succession. At other times, we may meet once a week, once every 10 days, as there is need.

We have a subcommittee, which I will describe in a moment, which meets much more frequently, and is composed of the assistants to these gentlemen, people who have more time to devote to these meetings.

In addition, I think you will be interested in this. We have advisers for areas which have no direct responsibility for distributing materials, but have a very important stake in the health of our economy. We have an adviser for Economic Stabilization. He is Mr. Griffith Johnson, assistant to Mr. Eric Johnston, who sits with us regularly, presenting to us economic-stabilization issues that arise in connection with allocating steel, copper, and aluminum every quarter.

We have an adviser for labor. The official member of the committee is Mr. Frank Graham. He is now overseas, and Mr. Robert Goodwin, his alternate, is sitting with us for him.

We have an adviser for foreign policy from the Department of State. He has just been named, and will meet with us at our next meeting on Monday, Mr. Willard Thorp.

I mention these many names so that you will see that we do have sitting on this committee top-level personnel from the agencies which are responsible for carrying out the program decisions that we make.

I would like to add that the members of the Requirements Committee are advisers. It is the responsibility of the Defense Production Administration to make these program decisions, and I do not want there to be any misunderstanding about that.

But I also want to make it clear that we regard these decisions as so important in their impact on all parts of the economy that we have created the Requirements Committee, and we have sought membership on that committee for people who are in a position to speak with authority for the areas that they represent.

I might say—I think the members of the committee may be familiar with this—that this organizational structure is very similar to the one that was established by the War Production Board in World War II, and I think functioned pretty successfully to deal with the problems of a similar nature that we had at that time.

Senator MALONE. I wonder, Mr. Chairman, if I could interrupt at this point to ask if there is anyone connected with each of these advisory boards in private industry—and they are in the nature of an advisory board?

Mr. ANSHEN. These individuals are advisers; that is right.

Senator MALONE. That are connected with private industry, or are they all Government employees?

Mr. ANSHEN. The individuals on the committee are now all officers of Government agencies.

Senator MALONE. In other words, they, like Mr. Willard Thorp, are men who are more or less permanently in Government?

Mr. ANSHEN. No, sir. Many of them are men from private industry. You have sitting at your left Mr. Bruce Brown. I do not know Mr. Brown's industrial connection, but I know that he is not a career Government servant. Mr. Brown sits on the committee for the Petroleum Administration for Defense, and is our adviser on petroleum matters. That is true of many other members of the committee.

Mr. John D. Small, for example, who advises us on military requirements, recently returned to Government service after a period in private industry, and that is true, I think, of several other members, although I do not know their backgrounds personally.

Senator MALONE. Government employees, however, such as Willard Thorp, and others, have the final say in their own departments?

Mr. ANSHEN. I think Mr. Brown is in the same position in the Petroleum Administration for Defense.

Senator MALONE. He undoubtedly does not have the final say. The Secretary of the Interior has the final say.

Mr. ANSHEN. That is true.

Senator MALONE. In other words, it stems back, all of these boards, the final decision comes from permanent Government employees?

Mr. ANSHEN. As far as final decision for program is concerned—I want to repeat that, Senator—the members of the Requirements Committee are there strictly in an advisory capacity.

The chairman makes the decision, and his decision has to be supported by the decision of the Administrator of the Defense Production Administration, and ultimately by Mr. Charles E. Wilson. There is an appeal to Mr. Wilson. I am serving as chairman at this time.

Senator MALONE. What you have tried to do is to get advice from each one of these boards whose decision is made in the final analysis by a permanent Government employee?

Mr. ANSHEN. I am not myself a permanent Government employee, sir.

Senator MALONE. I am not talking about you. I am talking about your advisers, your committees. The decision is made in each one of these advisory boards. The responsibility lies with a permanent Government employee.

Mr. ANSHEN. All of the members of the committee are currently Government employees.

Senator MALONE. I am talking now about the final decision, to come back to Willard Thorp, a career diplomat in the State Department; is that right?

The CHAIRMAN. The committee has been supplied a complete list of the members of the Requirements Committee of the Defense Production Administration as of July 17, 1951, and a complete list of the members of the Program Adjustment Committee of the Defense Production Administration as of the same date.

I shall hand both of these to you, Mr. Anshen, and ask that the background of each member, as to whether or not he has come into the service of the Government now from another Government department, or from business, be indicated on this list, so that we may have it in the record, and it will not be necessary to interrupt your testimony for that purpose.

Mr. ANSHEN. I will be glad to try to find that out for you and make it available, Senator.

(The biographical material for the members of the Requirements Committee and the Program Adjustment Committee appears in attachment A of the Appendixes.)

The CHAIRMAN. Let me ask you this. You make the reports in the last analysis to Mr. Wilson; do you not?

Mr. ANSHEN. That is right.

The CHAIRMAN. On the 1st of July Mr. Wilson filed a report with the President on "Meeting Defense Goals, a Must for Everyone." That has been distributed very broadly through the country, and of course it is available to Members of the Congress.

On page 13 of the document, we find this statement from Mr. Wilson, or in this report:

> Petroleum: The defense emergency has increased heavily the demand for petroleum products, and a war would increase the demand even further. Steps are constantly being taken to bring about the expansion of the petroleum industry in all its phases, in development of oil reserves, in oil production, in refining capacity, and in transportation and distribution facilities. The urgency of this program is underlined by the world's supply-and-demand pattern.
>
> The United States is now dependent on foreign sources for nearly a million barrels a day, and the nations of Western Europe must rely on imports for virtually their entire consumption. The possibility of a reduction in the supply of oil from the Middle East must necessarily be a factor in determining the petroleum program for this country.
>
> A loss of Iranian oil might force a drastic readjustment in our own pattern of distribution. In order to increase our available crude reserves, a goal of 43,400 new wells has been set for 1951.
>
> The rate of wildcat drilling has risen to a level 25 percent above the rate during the early part of 1950, and oil and gas producers have stepped up their regular drilling operations to substantially above levels of the previous year. Additional refinery capacity of 1 million barrels a day has been approved as the goal and is under way. Specialized refining facilities to produce military aviation gasoline were further expanded during the second quarter. An output of high-octane aviation gasoline is now 55 percent above the level of a year ago.

That is the statement of the Defense Mobilization organization. I think it is generally recognized that the two most essential commodities in war are steel and petroleum.

Here we have the goal which has been set by Mr. Wilson and his advisers, and the purpose of this committee upon the basis of advices we have received from various parts of the country of their inability, because of lack of steel, to meet the goals set down by Mr. Wilson, our purpose is to inquire of you, first, why the allocations of steel to the Petroleum Administration for Defense have been curtailed during the third quarter, and second, what are the prospects for an allocation during the fourth quarter which will enable the Petroleum Administration for Defense to help accomplish the objectives laid down by Mr. Wilson. I think that, in a nutshell, is the issue before this committee.

Mr. ANSHEN. I understand that, Mr. Chairman, and that is exactly what I want to explain to you.

Senator MALONE. I wonder if right at that point in order to keep the record straight if I may ask where the foreign imports originate? That is a very fine general statement that Mr. Wilson has made, and no doubt from his standpoint covers the situation. However, it does little good unless you know where this oil comes from.

Now, the 1 million barrels per day that is imported, most of it comes from Venezuela. I am informed by Mr. Brown here that only approximately 200,000 barrels per day come from the Eastern Hemisphere, and practically all of it from the Kuwait and Saudi Arabian area; none of it from Iran.

To get into this wildcat drilling, increasing 25 percent, the wildcat drillers are very well known to be the chief discoverers of oil. We call them wildcat, because they risk their money and, of course, since they are successful in finding oil periodically, we try to take the gamble out of drilling by doing away with what little incentive there is in the business through the depletion allowance.

I made a special trip to the House Ways and Means Committee when the depletion allowance of 27½ percent was threatened, because when you reduce the depletion allowance, you substantially reduce the wildcat drilling, since you take the gamble out of the business and there is no incentive for private investments.

Now, the needed additional refining capacity of 1 million barrels per day that has been approved fits in with the testimony of the Secretary of the Interior that there was really no shortage of oil, but there is a shortage of transportation and of refining capacity. There is a shortage of refining capacity, and it would be interesting at this point if we could have it inserted in the record as to about how long it takes, the time required to construct and complete and put into operation the needed additional refinery capacity. Would you know that, Mr. Brown?

The CHAIRMAN. May I ask, Senator, that you defer that until I get the answer to these two questions?

Senator MALONE. I thought it would complete Mr. Wilson's statement, which is a very fine publicity statement, but it makes no difference at all; it has no bearing on what we are trying to find out, unless you understand the source of the imported oil—the available additional production—and that it is the transportation and additional refining capacity we need.

The CHAIRMAN. There is a chart on this same page, from which I read, which shows the source of all the oil that comes to the United States and goes to various parts of the Government.

Senator MALONE. We need to know the time that it requires to construct a refinery and put it into operation.

The CHAIRMAN. I think it should go into the record, but I would like to have the answer to the specific question.

Senator MALONE. It makes no difference to me, but it should not be forgotten.

(The above question was answered subsequently by Mr. Bruce K. Brown. See p. 87.)

Mr. ANSHEN. I think the best way to deal with your question, Mr. Chairman, which is closely connected with the question raised by Senator Anderson, is to tell you the problem of programing in the third quarter, a part of which was the decision about the Petroleum Administration for Defense.

I want to take a moment to stress the fact that this was a problem that applied to every program, not just to petroleum, because we found in the spring of this year, and the War Production Board found earlier in 1942, that it is impossible to deal with each program—petroleum, power, agricultural equipment, freight cars—by itself.

If you look at them individually, without relation to other programs, and to the total demand for steel in relation to the supply of steel, inevitably you are disposed to say, "This is very important, it must be carried through."

But we found as the spring progressed that we were approving programs at such a rate, one by one, that we were rapidly running into the danger of authorizing more steel than there was available. We therefore determined, as you know, to add all requirements at one time coincidental with the introduction of the Controlled Materials Plan.

Late in the spring, with the cooperation of the agencies that I have listed, ranging from military through direct defense supporting, to civilian and export, we accumulated a statement of requirements for steel, for copper, for aluminum, because these are the basic materials of our industrial economy. They are the common measures of demand and of our ability to satisfy this demand.

I think you might be interested to know the results of that racking up of requirements, because I think it will make perfectly clear to you the background of the problem we faced in trying to deal with these many essential programs.

The total demand for steel for the third quarter of this year as presented to us was about 29 million tons. That 29 million tons included the demand of the Department of Defense for tanks and guns and ships and planes and all the other items of munitions that take steel. It included, in addition, the demand presented to us by Mr. Brown for the Petroleum Administration. It included many other defense supporting areas such as electric-power-expansion programs, the freight-car program, the construction of ore carriers on the Great Lakes to bring down a larger quantity of iron ore to support a larger steel program.

It included also the expansion of our basic industrial resources which we were vitally concerned with because we did not want to go on dividing up scarcities. We wanted to increase our supplies of steel, of aluminum, of chemicals, but inevitably, as you know, it takes steel to make steel.

We had to provide steel to build more steel plants, and we planned a substantial steel expansion program. We had to provide steel for more aluminum capacity, and so on, through the vast range of our industrial expansion.

In addition, we had requirements for machine tools as part of our broad base of defense for rapid expansion, in the event of a worsening of the international situation.

All of these things together, including allowance for consumers' goods on a cut-back basis, namely 70 percent of the pre-Korean rate for consumers' durable goods, and about 65 percent of the pre-Korean rate for passenger automobiles, all of that together——

Senator MALONE. You mean it was cut 30 percent or cut 70 percent?

Mr. ANSHEN. Consumer durables and automobiles were cut to 80 percent of pre-Korea in the second quarter, and we were then contemplating a further cut in the case of consumer durables, by

which I mean refrigerators, washing machines, vacuum cleaners, that type of commodity, to 70 percent of their pre-Korea consumption of steel for the third quarter, and an even lower rate, 65 percent, approximately, for passenger automobiles.

Senator ANDERSON. Right at that point, would you mind a question or two?

The capacity of steel in the United States had expanded, however, had it not?

Mr. ANSHEN. The capacity for producing steel in this country has been expanding. The demands for steel output have also been expanding.

Senator ANDERSON. I understand that, but 29 million in a quarter would represent 116 million tons.

Mr. ANSHEN. That is demand.

Senator ANDERSON. How did that relate to previous consumption by these same industries?

Mr. ANSHEN. I will come to that in a moment, Senator, if I may.

Senator ANDERSON. The point that some of us are getting to is that the request of the Petroleum Administrator for Defense submitted for the drilling of wells, for example, was almost identical with the number of wells submitted for the same period the previous year. It is up over 1949.

If that industry was asking for the same amount that had been used previously at a time when we were only consuming 80 million tons of steel, and our consumption of steel eliminating the waste, not putting it on an ingot basis, but upon usable steel, is about 94 million, we ought to have been able to take care of that industry, particularly if you are going to cut automobiles back to 75 percent, civilian goods to 70, then there was not much reason, was there, for cutting oil back to 67?

Mr. ANSHEN. Let me tell you why there was, sir.

The CHAIRMAN. Before you answer, I want to give you just a little basic information which comes to us from Mr. Wilson's report, and deals precisely with the thing that Senator Anderson has raised. This appears in a chart on page 22 of Mr. Wilson's report. It is entitled——

Senator MALONE. Mr. Chairman, do you have some extra copies of Mr. Wilson's report?

The CHAIRMAN. They were distributed to each member. I just brought mine with me.

Senator MALONE. When were they distributed?

The CHAIRMAN. They were on the floor of the Senate right after they were——

Senator MALONE. I should think we would have some from the committee.

The CHAIRMAN. The committee did not have a supply. We will try to get one for you, Senator.

Senator MALONE. I don't suppose they printed over 10 million, if they followed the usual Government methods. Would you mind having the secretary get some of them?

The CHAIRMAN. We will do that right away. I want you to be supplied.

On page 22 of this report we have the controlled materials plan, and other controls will shift the supply of steel among users in the third quarter.

This graph has a bar which represents the 1950 average material distribution, and superimposed upon that another bar showing the projected distribution for the third quarter of 1951 under controlled materials plan and other controls.

Automobiles were down, that is to say, less steel was allocated to the automobile industry in the third quarter than the average for 1950. Military and atomic energy steel was very much up. Construction was up, railroads up.

Senator MALONE. Does all of this show how much, Mr. Chairman, each one is up or down?

The CHAIRMAN. Yes; it does. I will hand that around in just a minute.

Petroleum down, containers down, exports up, farm machinery down, consumer appliances down, shipbuilding up, and then all other uses up.

All other uses showed an allocation for the third quarter projected of almost 7 million tons, whereas the average for the 1950 quarters was a little over 6 million tons, but petroleum, which is recognized as being next to steel, if not on a par with steel, the most important of all our commodities for war, was down, while exports were up, and all other uses were up.

That seems to me frankly to indicate that less consideration has been given to petroleum than to any other defense commodity.

Senator WHERRY. Is that what is in the report?

The CHAIRMAN. That is in the report.

Senator WHERRY. Did you make that last statement?

The CHAIRMAN. Oh, no. That was my conclusion.

Senator BUTLER. Mr, Chairman, right along that line——

Senator WHERRY. I hope that it was in the report, but I appreciate your statement just the same.

Senator BUTLER. I am sorry that I could not be present at the opening of the meeting, but we all have other committees that we have to divide our time with a little bit, Mr. Anshen.

I am considerably interested in the statement that you made thus far, and I want to stay through and listen to the rest of it, but I think in connection with what the chairman just brought out now, this question would be of some interest if you can answer it now.

You told how you had planned the increased output of steel by increasing the steel manufacturing capacity. In that connection, there was a request for an increased output made at the Colorado Fuel and Iron plant at Pueblo, especially for the construction of pipe that would answer the needs of the oil-producing area.

As I understand it, that request has not been approved up to date, and the increased output for this particular item, in which we are keenly interested, has not been covered and was requested by the industry itself.

Mr. ANSHEN. I have no personal knowledge of that case, Senator. I know that a question was raised about that on Tuesday, and I have had an explanatory statement of two or three sentences prepared for me by the general counsel of the Defense Production Administration.

I have it here among my papers. We cannot seem to lay our hands on it at the moment, but I would be glad to supply that for the record, sir.

Senator BUTLER. If somebody gets to it later, it will be all right.

Mr. ANSHEN. I have it here, because I brought it with me, knowing that that question might be raised.

Senator BUTLER. I am glad, Mr. Chairman, in a continuation of the Tuesday meeting where we are going to hear from the chairman and members of committees—I think you and I, and other members of the committees have wasted some of our time working on the Secretary of the Interior and some of his assistants, when we should have had these gentlemen on the list earlier.

The CHAIRMAN. Of course we began with a Cabinet officer, and we will go up.

Mr. ANSHEN. I will be glad to supply that statement for the record, sir. I have it somewhere here. I knew the question would be raised. I have no personal knowledge of that case, but the general counsel does, and he will provide you with the information, Senator.

(Information with respect to the status of a loan applied for by the Colorado Fuel & Iron Corp. appears in the appendix.)

The CHAIRMAN. You may now return to the question of Senator Anderson as amplified by the chairman.

Mr. ANSHEN. We had 29 millions of demand. All parts of our economy were growing rapidly as part of their relation to this expanding defense program. As you pointed out, Mr. Chairman, the military program had grown enormously.

It was negligible in 1950, and it had reached in terms of direct military requirements alone about 2,400,000 tons for the third quarter.

That was their request, and I want to emphasize that that did not include the many types of common components like electric motors and ball bearings and heat exchangers and pumps which they buy as products, or which their contractors buy, nor did it include many types of finished products like construction machinery, of which they buy very heavy quantities.

This 2,400,000 tons was essentially the steel for tanks and guns and ships, and, in the case of aluminum, for planes.

It included vastly increased demands from all parts of the economy, not only petroleum where the request for close to 2,400,000 tons was far in excess of what the petroleum and gas industries had purchased in 1950 or in 1949.

Senator ANDERSON. Are you sure of that now?

Mr. ANSHEN. I think I am, sir, but I will be glad to verify the figures.

Senator ANDERSON. Would you agree with that, Mr. Brown?

Mr. BROWN. No. I have the figures here, Mel. The average quarter in the first half of 1950, the oil and gas industry used 2,135,000 tons, according to the NPC report, 2,135,000. For the third quarter, we asked for more than that. We asked for 2,300,000. What we got was 1,500,000, or 1,600,000, as compared to a usage of 2,100,000.

Mr. ANSHEN. I am sorry. That is right. The statement I made, which I think is correct, is that the request was substantially higher than shipments in the preceding year.

Mr. BROWN. That is right.

Mr. ANSHEN. We had vastly increased requests also for electric power expansion which was necessary not only to power our growing industrial needs, but to meet the needs of our enormous new atomic energy plants and of the new aluminum plants that are being constructed and which have to have a lot of power to carry them forward.

We had, as I mentioned earlier, vastly increased demands for freight cars. The freight car production in this country had been at a very low level in 1950, but in 1951 it was necessary to add to our freight car population very rapidly, to carry the crops raised by our new increased farm crop goals, to carry the increased production of industry and so on through many other areas.

I do not want to weary you by listing them all, but I do want to convey the impression, because we faced this problem, that these increased demands were coming from every part of our industrial economy, because they all had new demands placed upon them as a result of the growth in the military program, and also as a result of Mr. Wilson's objective of building a strong industrial base as a foundation for rapid expansion in case of a worse emergency than any we have faced so far.

To meet that 29 millions of steel demand, we had a steel supply that was estimated at 20.8 million tons, 20.8 millions against about 29 millions of requirements.

Senator ANDERSON. Does that indicate that the petroleum industry did not increase its demands nearly as much as the over-all? The petroleum industry asked for 2,300,000 as against a previous shipment in 1950 of 2,130,000, or less than a 10-percent increase, but the total demand was up nearly 50 percent, well over 40 percent, so the petroleum industry was quite modest in its request.

Mr. ANSHEN. That is partly true, Senator, and partly somewhat misleading.

As you know, not all parts of our economy go up and down together. Some parts are at relatively low levels of material consumption when others are going ahead at a high rate. For example, petroleum was pushing ahead at a very high rate in 1950, although a good part of that was natural-gas expansion rather than petroleum expansion. The number of wells projected, for example, in 1951, is identical, I believe, with the number of wells drilled in 1950.

It is a program of the same size, but natural-gas expansion was pushing ahead very rapidly in 1950, and while I have not the detailed figures before me, my impression is that a good part of the expansion in petroleum, what we refer to as the petroleum area, in 1950 was expansion of natural-gas pipelines.

In 1949, the level of steel consumption in the petroleum and natural-gas industries was somewhat lower than in 1950. Other parts of the economy, Senator, were pushing ahead very rapidly.

The freight car program is a good example, where, I believe, the figure for 1950 was about 3,500 cars a month, roughly 3,500 cars a month.

Senator MALONE. Isn't that sort of a chronic condition, the shortage of railroad cars? It seemed to me I remember you were wrestling with that in World War II.

Mr. ANSHEN. We were.

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Senator MALONE. And then they did not step it up very much after the war.

Mr. ANSHEN. Between World War II and the present emergency the demands for freight cars dropped off very sharply. Naturally the railroads do not want to invest their money in cars unless they see a profitable utilization of those cars.

As a result just before we entered this emergency period freight cars were being produced at about one-third the rate at which we have been urged to support their production in the third quarter, namely, 10,000 cars a month, the figure that I am sure you are all familiar with.

Senator MALONE. You mean there was a surplus of freight cars during this period before the war in Korea?

Mr. ANSHEN. I do not think you would call it that. Those that are beyond the stage where they can be repaired are withdrawn from use entirely. When the traffic demands for freight cars step up sharply, as they did late in 1950 and in the first half of 1951, we have car shortages reported from all parts of the country.

Senator MALONE. When did they have a car shortage before that?

Mr. ANSHEN. I don't know. I suspect there was no serious shortage in the pre-Korea period or they would have bought cars at a high rate.

Senator MALONE. It seems to me I heard the corn belt and wheat belt Senators complaining about car shortages ever since I have been in the Senate. I wonder if Senator Butler knows that there were no car shortages then.

The car shortage, is that altogether a war emergency, or was there a car shortage before——

Senator BUTLER. We have a permanent situation with reference to construction of cars, a shortage of cars all during the last war. We never have had any surplus production.

There has been a very decided shortage of car production all during the Second World War and following the close of the war through the efforts of some of us around here and elsewhere we got the program stepped up, as you have indicated, now 10,000 a month.

I do not think we reached that one single month, and the prospect is now for September it will be 5,000, just half of what we had contemplated, and it is on the way down again instead of up.

Senator MALONE. There was a shortage though before the Korean War.

Senator BUTLER. We have always had a shortage.

Mr. ANSHEN. There was a very high production of freight cars in 1949. I understand the production was as high as 100,000 cars in that year. It fell off very sharply in 1950, and we were faced with very heavy demands and great pressure not only from the agricultural people who were worried about their crops, but from industrial concerns who were worried about the failure to have cars on hand to take the products from their plants when they were finished, and we had reports of deliveries held up from all over the country.

Senator MALONE. The point I want to make here, just to keep the record straight, there never has been a surplus of freight cars.

There always has been a shortage through World War II through the subsequent period of the war in Korea. You agree with that?

Mr. ANSHEN. I do not know, sir. Mr. Lilygren would like to speak on that subject.

Mr. LILYGREN. I believe there are surpluses in periods of a year, but normally, as I remember and understand the situation, there is a shortage in a heavy crop time of the year where there are grain movements.

Senator MALONE. There always has been.

Mr. LILYGREN. In other parts of the year there is a surplus.

Senator MALONE. When you have the grain crops to move, there is a shortage, and always has been of freight cars, that is since World War II.

Mr. LILYGREN. This past year is the first time that I remember that we had a shortage during the winter months when normally that would be the time of the surplus.

Senator MALONE. Aren't they supposed to move the grain crops—would you say you had plenty of cars but did not have cars enough to move the grain crops in an expeditious manner?

Mr. LILYGREN. I agree with you there has always been a shortage during the heavy-crop-movement months.

The CHAIRMAN. Senator Wherry, you have to go. Do you want to ask a question?

Senator WHERRY. Thank you very much, Mr. Chairman. I appreciate this, being a visitor. As I understand it, 29 million tons was the request for the third quarter from all sources.

Mr. ANSHEN. That is right.

Senator WHERRY. You had 20.8 million tons to do the job. That figures out about 71 percent, enough steel to do the job on all requests. Now, you mentioned you cut back automobiles to what, 65 percent of their request for the third quarter?

Mr. ANSHEN. No, sir, they did not have a request for the third quarter. They had already been curtailed by limitation order to 80 percent of their pre-Korea steel consumption in the second quarter of this year. We were contemplating a further reduction.

Senator WHERRY. How much of this 20.8 million that you actually had did you allot to the passenger-car production?

Mr. ANSHEN. That is exactly the point that I was about to come to, sir.

Senator WHERRY. You mean in this answer to Senator Anderson? Excuse me. The point I want to make is this.

I understood passenger car production got approximately the same proportionate cut-back in materials. In the same period you cut back steel for petroleum production, according to testimony of the Secretary of the Interior, from 2,135,000 tons to one-thousand-five-hundred-and-eighty-some-thousand tons, which is about, I figure it out, 67⅓ percent.

I think that the chairman here said 67 percent. I suppose that is the right figure. What I want to ask you is: who makes up the priority as to allocating a 65 percent to passenger production and 67⅓ to petroleum? Do you do that?

Mr. ANSHEN. Yes, sir.

Senator WHERRY. Do you think the production of passenger cars is important and should receive a priority in comparison with petroleum production?

Mr. ANSHEN. That is the very point I would like to answer right now, Senator, if I may.

Senator WHERRY. That is the point that I would like to have you answer, because I was over in Detroit the other day and I saw acres of new automobiles out there they cannot even sell in one plant—I will not name it—acres of them.

Senator MALONE. Right in support of that statement, it is well known all over the country that outside of Cadillac cars you can get a pretty good deal on any new automobile now, and there are no sales for certain kinds of automobiles at all, so it looks like Senator Wherry may have a point there.

Mr. ANSHEN. I would like to speak to that point if I may.

Senator WHERRY. How much did you allocate this one manufacturer that he has been able to produce acres of automobiles, brand new ones that are not even moving?

Mr. ANSHEN. Senator Wherry, we did not allocate steel to the automobile manufacturer in the third quarter. They had no assistance of any kind in procuring materials, unlike all other parts of the economy where specific assistance was given through the Controlled Materials Plan.

All that we did was to establish a ceiling on their production, and they were able to get to that ceiling if they could find the materials without any assistance from the National Production Authority.

Senator WHERRY. But you took away steel from the Platte pipeline that was allocated to them. You took away their orders. They had the order themselves and you took it away. They did not get a pound of steel for the third quarter, according to their testimony.

Senator ANDERSON. I think I should say I do not believe he is the one that took it away from them.

Senator WHERRY. I am trying to find out who did it. I think it is more important if the chairman will permit me—I do not want to disrupt the meeting—to get steel for pipelines than it is to get steel for automobiles they cannot sell.

The CHAIRMAN. The record in this report of Mr. Wilson shows that the projected distribution for the third quarter of 1951 for automobiles amounted to about 3¼ million tons, whereas the allocation to petroleum amounted to only 1½ million tons, which was less by at least 250,000 tons than the average quarterly distribution for petroleum in 1950.

Mr. ANSHEN. May I see that chart a moment, Senator?

The CHAIRMAN. Yes indeed.

Senator ANDERSON. It was more than 250. It is less by 500,000.

Senator MALONE. I would like to ask the Senator from Nebraska if this is the same company who got $25,000,000 from RFC to store automobiles that they could not sell?

Senator WHERRY. There is no doubt about that, sir.

I would like to ask this man, have you ever seen that chart before?

Mr. ANSHEN. I have. I would like to answer these questions if I may.

The CHAIRMAN. Let me add that in this same chart that the allocation of steel to the railroads was about 1,750,000 tons. That, of course, was for the building of freight cars but it may be pointed out that freight cars can sometimes be made of wood whereas pipelines can only be made of steel.

Senator ANDERSON. I question whether the allocation of steel to the railroads was for the building of boxcars. You do not carry the boxcar building, do you?

Mr. ANSHEN. I think it is in the railroad figure. I am not sure.

Mr. BROWN. Wherever the steel comes from, you can use wood on the sides of the car.

Mr. ANSHEN. That is right.

Senator WHERRY. I wish you would tell me who allotted that steel for that company out there and denied the allocation to the Platte pipeline that we want through in Nebraska.

Mr. ANSHEN. Sir, may I repeat that there was no allocation of steel for automobiles.

Senator WHERRY. They got the steel.

Mr. ANSHEN. I would like to answer the whole question that you raised, if I may. We had 29 million tons of demand. In making our program determination, in dividing up this supply of a little less than 21 million tons, we were guided by several policy considerations and one fact of life with respect to steel production.

The policy considerations were these, and they were laid down by Mr. Wilson and concurred in by all the officials of the mobilization agencies.

First, that we would meet the military demand in full, although we were very concerned to be sure that the material translations from ships and tanks and guns into steel, copper, and aluminum were precisely made and that no material was wasted.

In connection with that may I say that we were able to screen the military requirements with the help of the staffs of the Department of Defense and the Munitions Board from the initial request of 2,400,000 tons to a final request, a final allotment of about one and three-quarter million tons not through cutting the program. We did not cut their program, but through the most careful and painstaking survey of every item in that program to get accurate unit weights from bills of material, accurate lead times from the raw material to the finished product, and accurate conversion factors and avoiding duplication of requests.

We had much experience with that in World War II, and we were looking for that kind of thing and found it.

The second basic policy consideration again laid down by Mr. Wilson and concurred in by your mobilization officials was that we would not force sudden drastic cuts in the production of consumer goods that would create big pools of unemployment quickly, like the problem which right now has been raising trouble in Detroit even because of the relatively moderate cut-backs that have taken place in the automobile industry. Senator Moody has been holding hearings in Detroit with respect to that recently. We were also governed by——

Senator WHERRY. Aren't those companies producing defense contracts?

Mr. ANSHEN. They have defense contracts, sir.

Senator WHERRY. Certainly.

Mr. ANSHEN. But it takes a long time to tool up to make tanks in an automobile plant.

Senator WHERRY. That is true, but it does not seem to me to warrant the distribution of that steel in consumer lines when you are letting petroleum go by the board.

Mr. ANSHEN. That is the very point that I want to come to, Senator.

Senator WHERRY. You have been coming to that point for quite a while. I have to leave. I would like to know why that company got steel and you did not give the Platte pipeline steel.

Mr. ANSHEN. Steel is not a commodity. There are different shapes and forms which are not interchangeable. You do not build steel pipe out of the steel you use to make automobiles.

Senator WHERRY. I know that.

Mr. ANSHEN. One is sheet and one is plate. With respect to the petroleum problem in relation to the automobile issue that you have raised, one of the key factors was the supply of that plate. We had a demand for plate alone in the third quarter in excess of 3 million tons. We had a supply of plate of about 2.2 million tons.

In that demand of 3,000,000 tons we had a very large demand from the Petroleum Administration for Defense; they use plate to build storage tanks, but they use a great deal of plate to build the large diameter pipelines.

Included in that plate demand was a large demand from the Department of Defense, a large demand for the ship-building program, for the heavy power equipment program, for power construction and a number of other items. Part of that plate is coming off facilities designed to build plate.

A growing supply of that plate is coming out of the converted strip mill facilities which can make plate if they are converted to it. We have been building up the plate supply very rapidly.

In fact within one year the average monthly output of plate has risen from about 450,000 tons to about 750,000 tons, and a good part of that increase represents a forced conversion of strip mill facilities that make, principally, consumer types of steel, to plate which is typically producers' and defense steel.

Now we had 29 millions of demand. From that we had to subtract the military because we were determined to assure that.

Senator WHERRY. Just one question. Does that 2,200,000 that you have include black market tubular goods? Do you figure all steel or don't you?

Mr. ANSHEN. This is the 2,200,000 of plate supply, sir.

Senator WHERRY. Yes, of the three million.

Mr. ANSHEN. I am not speaking of oil country tubular goods at all.

Senator WHERRY. I am speaking about plate now. Maybe I inadvertently did not give it to you, but of the 3,000,000 that you said there was a request for, you said you had 2,200,000 that you might supply. Is that all the plate goods from all mills?

Mr. ANSHEN. Yes, sir.

Senator WHERRY. If there is any black market plate it was in that tonnage?

Mr. ANSHEN. Yes, sir.

Senator WHERRY. It was in that tonnage.

Mr. ANSHEN. That is the total supply.

Senator WHERRY. From all sources?

Mr. ANSHEN. From all sources.

Senator WHERRY. So that you knew where that was and that none of it could go black market as far as production is concerned?

Senator MALONE. Right at this point, this will dovetail with the Senator's question. It is generally understood that you can buy tubular steel from foreign markets at a premium price of from 40 to 100 percent. Do you know anything about that?

Mr. ANSHEN. I do not know anything about the specific availability of tubular goods. We have been importing steel from foreign suppliers.

Senator MALONE. I mean at what you would call a black market rate, 40 to 100 percent above the regular rate you can get large amounts of tubular goods, steel from Belgium, Luxembourg and other places. We have very good information that that is being done.

I could produce one or two men that have turned down the chance to buy it. Do you know anything about it?

Mr. ANSHEN. No, sir; I do not.

Senator MALONE. Would it be hard to find out?

Mr. ANSHEN. I will try to find out and let you know.

Senator BUTLER. Mr. Anshen, in screening requests from the Department of Defense, I agree and I think everybody does that they have to be taken care of first, but you mentioned ships.

I notice that here recently there have been several ships taken from wraps and put into service again, getting ready to go into service actively if they are needed.

We have literally hundreds if not thousands of ships in storage. I wonder if the committee is taking into consideration the possibility of getting the maximum that could be used out of storage in order to relieve this steel situation a little bit so far as this phase of defense is concerned.

Mr. ANSHEN. That is precisely the kind of thing, Senator, which is part of our job of examining every requirement statement as carefully as we can to see what is essential in it.

Much of the steel for ships is going into ships that have no duplication in storage. For example, we need more ore carriers on the Great Lakes, because we are planning a steel expansion program that is to bring more iron ore down from the head of Lake Superior.

We need more fast tankers as part of our basic naval defense program. We need more barges and tug boats on the inland waterways, again to carry these important defense products. We are not permitting the construction of ships that will duplicate in any way ships that are laid up in port in mothballs.

Senator BUTLER. It seems to me most any kind of a ship that can carry ore.

Mr. ANSHEN. I do not think that is true, sir.

Mr. LILYGREN. That is not true, Senator. I come from the Detroit area, and the lake boats are a peculiarly designed boat, shallow draft boats, because you cannot get through those waterways with a deep draft.

Mr. ANSHEN. The shipbuilding program is at a relatively low rate compared with World War II.

The CHAIRMAN. The important uses according to this chart are first. They were still receiving, they had on hand—you made no allocation I understand that—they were receiving 3¼ million tons.

Mr. ANSHEN. That figure includes trucks, and we were supporting the heavy truck program because they needed the heavy trucks.

The CHAIRMAN. Yes, I understood. I do not complain about that.

Military and Atomic Energy for all their expansion were receiving only about 2,600,000 tons, less than the automobile industry was receiving, construction was receiving a little over 2,000,000 tons, railroads were receiving possibly 1,750,000 tons.

That was a substantial increase, probably an increase of 650,000 tons over the average for the previous year.

Petroleum dropped down, however, but is unquestionably a major commodity, but exports of steel increased by 300,000 tons over the average for 1950, and all other uses, this is in the miscellaneous category I would say, because they are not identified. All other uses exclusive of automobiles, military, construction, railroads, petroleum, containers, export, farm machinery, consumer appliances and shipbuilding, all other uses took almost 7,000,000 tons. Now in the light of this picture which shows that the steel supply for the third quarter of '51, with 21.2 million tons, which was an increase from 18,700,000 tons for the quarterly average of 1950, indicates to me clearly that petroleum should have had at least as much as the average for 1950, and I have yet to find any reasonable explanation why it did not get it.

Mr. ANSHEN. The all other uses, Mr. Chairman, to which you have just made reference include every type of major industrial equipment running from machine tools through construction machinery through all kind of industry machinery, chemical machinery, textile machinery, heavy power equipment and all of the components such as ball bearings, nuts and bolts with which we fasten everything. That is all in there. That is the basic industrial strength of the country right in that all other figure here in the chart.

Let me, if I may, come back to your question. We had a supply of almost 21,000,000 tons. We wanted to assure the military, which amounted to about 1¾ million tons, after we had screened their requirements back to a realistic translation from the end products.

At the other extreme we did not want suddenly to curtail production of consumer goods at a rate that would create mass unemployment. Now we know, as Senator Wherry was pointing out, that heavy defense contracts have been placed with the major automobile producers.

We also knew that it takes a long time to get tooled up for defense, and although those contracts were placed, actual production was at a very low rate and had not even started in many of those plants.

If we suddenly cut automobile production back to any figure you want to name, 50 or 40 or a lower percentage of pre-Korea, we would have done two things, neither of which would have made any contribution, any significant contribution, to the defense program, and both of which would have been very dangerous for our whole economy. First, we would have thrown hundreds of thousands of workers out of jobs.

The CHAIRMAN. But nobody is requesting that. You pointed it out yourself, now, that the requests of the petroleum industry were not expanded like some of these other requests, and the record here shows that the petroleum industry was cut back below its average for 1950 in spite of the fact that there was an increased supply of steel.

Everybody acknowledges that petroleum is one of the most essential of all defense commodities, and the question remains unanswered why didn't it get at least as much as the average for 1950. I think it ought to be expanded some.

I do not believe that anybody on this committee intends to ask that such an allocation be made to the petroleum industry as to injure any other defense industry or injure the economy of the country. It should not, but certainly the Defense Mobilization Establishment and the Defense Production Administration ought to cooperate with Mr. Wilson in his declaration that an increased supply of petroleum in the United States is highly essential in the public interest. That is all we are asking.

Mr. ANSHEN. Mr. Chairman, one of my most earnest objectives in life is to cooperate 100 percent with Mr. Wilson. I may say that this basic allocation for the third quarter, before it was finalized, was reviewed by Mr. Wilson and his staff.

When we removed from the supply of almost 21,000,000 tons military requirements and our estimates of the maximum take for consumer durables and automobiles that would not create pools of unemployment or contribute injuriously to the inflationary forces in this economy by taking off the market goods that consumers might want to buy, we had these figures staring us in the face.

We had a demand of about 22,000,000 tons left, and we had a supply of about 14,000,000 tons.

We had a demand that was about 50 percent in excess of the supply for this whole range of the economy including petroleum and natural gas and electric power and freight cars and farm machinery and expanding steel plants, aluminum and chemical plants, machine tools to be put into them, and every other item that I have mentioned before.

Senator ANDERSON. Let us see if I cannot get this a little bit straighter in my own mind as to this difficulty. On the chart which you have before you it shows the increase in steel supply from 19,700,000 to 21,200,000 tons. These are Mr. Wilson's figures, they are not mine. That is an increase of 2½ million tons, is it not?

Mr. ANSHEN. Yes, sir.

Senator ANDERSON. The total amount that the military and Atomic Energy is using is only two and a half million, which can be fully met by the increase in production. They were using some before.

Mr. ANSHEN. Negligible quantities, sir.

Senator ANDERSON. The little negligible that they were using before is enough to balance off construction just below it. Is it not true, therefore, that the military, the Atomic Energy, and construction were all met by the increase in steel supply?

Petroleum was cut down from 2,100,000 previous use to 1,500,000, a 30-percent cut. Containers were cut, farm machinery was cut, consumer appliances cut, shipbuilding up a negligible amount.

Where did all the rest of the steel go? If military, Atomic Energy, construction, railroad, petroleum, containers, farm machinery, if all those things are out of the way, what were these unusual demands that were going to take all this extra?

Mr. ANSHEN. One of the unusual demands, Senator, was machine tools which we were trying to push ahead by as much as 35 or 40 percent above recent production levels, again in the effort to carry

out Mr. Wilson's objective of building a strong base for a rapid expansion in the event of a worsening of the international situation.

The CHAIRMAN. May I point out to you, sir, that the testimony before the Appropriations Committee on the armed services to date shows that the production of machine tools is not up to demand. They are not getting the steel or they are not getting the prices, and machine tools for the Navy have been taken out of the reserve stock left over from World War II, so that is no answer.

The thing is perfectly plain. Secretary Chapman testified here 2 days ago "accordingly it"—it being the Petroleum Administration for War—"has tailored its allocation request downward by 250,000 tons to 2,135,000 tons."

This figure may be compared with the third-quarter allotment actually made by DPA in the amount of 1,583,000 tons. This tonnage represented 67 percent of the actual needs for steel in the third quarter and with 74 percent of the steel actually used by the oil and gas industry during an average quarter during the first half of 1950.

Mr. Anshen, I just cannot understand the logic of the statement that the petroleum industry, which produces a major defense commodity, is to be required by the Defense Production Administration to get along on 74 percent of what it was getting before you began to operate to allocate steel for the production of defense materials.

Mr. ANSHEN. Mr. Chairman, I fully appreciate the lack of logic on the surface, but let me point out the fact that we had to face. I said a moment ago——

The CHAIRMAN. Before you point that out, again let me say, Do you want this committee to understand that you yourself believe that petroleum is so unimportant that it must expect to get along on less steel than it was getting on the average in 1950?

Mr. ANSHEN. Sir, I wish we could give them much more. I believe just as firmly as you do in the importance of the petroleum industry, and I know just as well as you do how essential gas is to power this country's economy. We were faced with these two facts and we found that we could not overrule or destroy the laws of arithmetic. Much of the petroleum requirement was in plate, plate to make large-diameter pipe.

We have had an enormous expansion in the demand for plate, a very large part in the growth of the military demand which that chart places before you was also in plate. A very large increase in shipbuilding, small as it was on this chart, it was large in tonnage for plate, was in the form of steel products.

We were faced with the simple fact that we had a demand for plate in excess of 3 million tons, and a supply of about 2.2 million tons. Much of the Petroleum Administration's request was in the shape of plate to make large-diameter pipe.

Another large part of their request was in the shape of oil country tubular goods where there has been a production limitation that the National Production Authority has been trying to lick and has been successful in pushing up the supply.

We were trying to reach a figure of 150,000 tons a month of oil country tubular goods. I say "we." I should have said "the National Production Authority." They have the direct responsibility of stimulating production. We faced those facts.

Now we sat around in the requirements committee room just as we are sitting in this room today. Mr. Brown was there and all of the other gentlemen whose names you have on that list of the requirements committee roster, and we considered this problem of a demand about 22 million tons over-all in steel, and a supply of about 14 million tons.

Within that demand and supply the specific limitations were in terms of the current production capacity including plate coming off strip mills, and the current bottleneck in the production of oil country tubular goods.

We sought the advice of every member of that committee. We did not want to make any arbitrary or hasty or ill-founded decision.

I might add that these issues prior to the meeting—we had several meetings of the Requirements Committee—were carefully reviewed by the staff of the Defense Production Administration working with the full cooperation of the staffs of the Petroleum Administration for Defense, the Defense Electric Power Administration, and all of the other agencies concerned.

I might add that we had magnificent cooperation from Mr. Brown's staff, because they recognized the issue just as clearly as we did, and the decision that was reached I think represented this kind of judgment.

Everyone concerned agreed there was no easy answer to this problem. Whatever we gave to one claimant area such as petroleum had to be taken away from another claimant area.

Very rightfully every one of these claimants was concerned to assure as nearly as possible the full satisfaction of the needs of his area.

That is their responsibility. They should fight for their areas, for electric power or agricultural machinery, and the judgment that was reached represented, I think I can say accurately, a general consensus that this was a reasonable allocation.

I know full well that Mr. Brown did not feel that his requirements were nearly adequately met. I did not feel that myself, but neither were the requirements adequately met for many other areas in this economy.

Senator ANDERSON. That is just what we need to have. We need to have the list of the requirements to use 22 million tons as against the 14 million tons available. When you got down to that figure—I am perfectly willing to leave out the military and a great many other things that you have done—but when you get down to the 22 million demand and 14 million supply, I would like to know how you cut them, all of them, not just one but all of them, and I think if we could get that information we could begin to see the theory on which you were operating.

I know that you recognize that these 43,000 wells do not call for large-diameter pipe, do they?

Mr. ANSHEN. No; that is oil country tubular goods that I mentioned, and there we were up against a production bottleneck.

Senator ANDERSON. What is the large-diameter pipe?

Mr. ANSHEN. That is going into transmission lines, petroleum and natural gas.

Senator ANDERSON. Do you need more transmission lines if you do not produce more oil?

Mr. ANSHEN. We were producing at a rate that will be equal in 1951 to the 1950 rate.

Senator ANDERSON. We were able to get rid of the 1950 production with the transmission lines we had.

Mr. ANSHEN. But there was a great increase in the demand for natural-gas pipeline expansion.

Mr. BROWN. Ten-percent increase in petroleum in the last year, is the answer to what you are reaching for.

Senator ANDERSON. Ten percent is not what these figures would indicate.

Mr. BROWN. Petroleum.

Senator ANDERSON. If I understand it, from 14 to 22 million, there is a vast shift. I realize that the petroleum demand is small. I want to find out who is raising his figures, who had the big demands and what you did about them.

They went some place other than to automobiles, because automobiles were down. They went some place other than to military and atomic energy because the increase in steel production took care of that and also the construction industry. They went some place other than petroleum, containers, and the little bit that went to export. They did not go into farm machinery.

The farmers are crying their eyes out about their inability to get farm machinery. They did not go there.

Now when you worry so much about unemployment, don't oil-well workers get unemployed? It is not just automobile workers, is it? Don't farmers have trouble when you cut down on their machinery? There are as many of those as there are automobile workers, are there not?

They were cut. They did not have consumer appliances. I would like to know who it was who gained. I am having trouble finding out who in the industry outranks all these other industries we have thought were so important.

Mr. ANSHEN. Senator, I would be delighted to provide for the record a statement in detail of every requirement area and the extent to which their requirements were satisfied by program determination. I do want to point out——

Senator ANDERSON. I do not think that it needs to go into the record if it is voluminous, but I think the committee ought to have it for its study.

Mr. ANSHEN. I would like to provide it.

Senator ANDERSON. As to what the 22 million tons represented in demand and what the 14 million tons in supply was down here after you got rid of all the others. I would like to know how you got down to 22 million and the 14 million and I would like to see what happened in the solution.

I want to say to you in advance that I recognize that yours is not a pleasant task. I found out after World War II when we were trying to divide food around the world that the fellow who divides up shortages is never the popular person. It is the fellow who divides up dividends.

Mr. ANSHEN. Senator, those are the kindest words I have heard all morning.

Senator ANDERSON. Regardless of the questions, we have nothing but the kindest feeling toward you people who come in and take on these very tough jobs.

Mr. ANSHEN. I shall be very glad to provide for your study a detailed statement of the 22 million demand and the 14 million supply, but I do want to add one point because your questions seemed to me to infer a flexibility in shifting among demand which unfortunately I wish we had, but we did not have. (A table showing requirements and program determination allotments in detail for the third quarter appears as attachment B in the appendixes.)

I would like to make this point. The areas that you mentioned that had cut-backs as you were looking at the chart, very few of them yield any tonnage of plate. The automobiles do not yield plate when you cut them back. The tin cans do not yield plate when you cut them back.

Senator ANDERSON. Tin-plate plants can be expanded to roll a little thicker plate.

Mr. ANSHEN. We have tried as fast as we can to effect that conversion of production from strip mill facilities to the production of plate on the same facilities, but one more point must be made. This is not a simple question, sir, as I am sure you know. When you shift from producing strip-mill products on a strip mill to the production of plate on those same facilities, you do not get ton for ton. You get less tonnage of plates because those facilities were not designed for the purpose of producing plate, so you suffer a net loss in the shift.

Senator ANDERSON. Now the plate capacity is how much?

Mr. ANSHEN. At the present time about 2,200,000, and we are trying to push it up by further conversion from strip mill to plate production.

The CHAIRMAN. May I interrupt at this point? I would like to get specific—but first let me say, Mr. Anshen, though our words seem harsh, our hearts are really of gold.

The Secretary of the Interior said to us that the oil and gas industry requires in the fourth quarter 2,385,000 tons, but that has been tailored down to 2,135,000 tons.

There is a specific figure for the fourth quarter. Then the Secretary went on to say:

> approximately 70 percent of all the steel required by the oil and gas industry is needed in the form of pipes. If we could obtain the full amount of steel needed for the fourth quarter, 70 percent would be used as pipe, but due to the unavailability of sufficient plate to produce the required quantities of large diameter pipe, the percentage figure will drop to 67 percent even if DPA fully responds to our request.
>
> Approximately 21 percent of all the pipe required should be in the form of oil country tubular goods for the oil and gas well drilling program, and the remaining 79 percent should be line pipes in various sizes for various purposes. Approximately 55 percent of the tonnage is required in large diameter pipe, that is 16 inches or above in diameter.

Mr. Brown, who sits opposite you at the table, was present while this testimony was given, and I know it represents his judgment too.

The committee I am sure would be glad to hear from you as to what industries will receive this steel, and particularly the plate needed for line pipe if the request, the tailored request of the Petroleum Administration for Defense, is not granted. That is the real heart of

the question before this committee, and I would like much for you and Mr. Brown to discuss that right across the table here.

Mr. ANSHEN. I happen to have in front of me, sir, a statement of the major demands for the fourth quarter as they were submitted to us by all of the claimant agencies including Mr. Brown's Petroleum Administration. They include about 240,000 tons of plate for the Department of Defense.

The CHAIRMAN. Would you repeat that, please?

Mr. ANSHEN. About 240,000 tons. I want to round these numbers so that you can follow them easily. I know that it is difficult to follow these figures when you have to take them in by ear.

Two hundred forty thousand tons for the Department of Defense, about two hundred seventy-three thousand tons of plate for the construction of industrial plants, including, as major elements, our whole steel expansion program, the aluminum expansion program, the expansion of a number of chemicals that are currently in short supply, many of which are greatly needed to fit into the steel expansion program and supply the needs of the chemical industry.

They include also about 230,000 tons of plate for heavy power equipment to go into the power construction program that we are trying so hard to push to prevent black-outs and power deficiencies and nonavailability of power for our great new atomic energy plants and for the aluminum plants that we are building.

If you were to talk to the Administrator of the Defense Electric Power—and I say this in all kindness, sir—he would apply very harsh words to the judgments that were reached by the requirements committee in cutting back their needs for plate in order to meet many of the other needs.

This, as Senator Anderson said, is not an enviable position that we occupy. We are the focus of these demands and the pressures are very great.

I want to continue. About 640,000 tons of plate are needed in the railroad industry for maintenance and repair, for the construction of freight cars, for the construction of locomotives. I know as well as you do, sir, that there can be conservation methods applied for freight cars. We are trying to push them.

Senator ANDERSON. Will you give the comparable figure for 1950.

Mr. ANSHEN. I do not have it with me, sir. I will supply it for the record. (A table showing carbon steel plate requirements for the fourth quarter, 1951, appears as attachment C in the appendixes.)

Senator ANDERSON. Is it up or down?

Mr. ANSHEN. In a case of freight cars it is very sharply up. In the case of defense of course it is up from almost nothing to a high figure.

Senator ANDERSON. Now just this last one of railroads, isn't that very sharply up?

Mr. ANSHEN. In the case of freight cars, yes, sir; it is.

Senator ANDERSON. Isn't the whole figure very sharply up?

Mr. ANSHEN. Many of the other elements are very sharply up, that is true, sir.

Senator ANDERSON. Isn't the whole railroad figure very sharply up?

Mr. ANSHEN. Not in the case of locomotives, no, sir; not in the case of maintenance and repair.

Senator ANDERSON. Isn't the whole railroad figure very sharply up? Isn't 640,000 tons greatly in excess of what the railroad industry had in comparable quarters last year?

Mr. ANSHEN. I believe that is true, but I want to add that the bulk of the increase is in one item, freight cars.

Senator ANDERSON. I happen to have been a member of a board that tried to get the railroads to get some freight cars in 1947 under the very wise leadership of Steamboat Johnson. I regret that I do not have his correct name, but Steamboat is very fine.

However, he had a real program for building boxcars that did not get accepted from 1947 thereafter. It got started in 1949. The railroads could have had boxcars, of course, could they not?

Mr. ANSHEN. Yes, I wish they had, Senator. It would have relieved our problems right now.

Senator ANDERSON. I think it is too bad when some one industry refuses to do what it can do in relatively peaceful times and then comes rushing in in times of emergency and says, "Can't you understand that we have to have these things?"

Mr. ANSHEN. Senator, the rushing in has not come only from the freight car manufacturers but from all the users.

Senator ANDERSON. It is not coming from the petroleum people. They are asking for what they had in 1950. They have a request for the fourth quarter of 2,130,000 or something like that, which is comparable to the same figure in 1950, and they are going to get a 15- or 20-percent reduction.

Mr. ANSHEN. Senator, I do not know at this moment what reduction, if any, will be applied to the Petroleum Administration.

We have been working—I mean this literally—days, nights, and week ends for the past 2 weeks wrestling with the fourth quarter program determination issue. We are still wrestling with it right now.

The CHAIRMAN. Finish your table, sir. You are down to 640,000 tons for the railroads.

Mr. ANSHEN. I have only one or two other items picked out in these figures I have with me, Mr. Chairman. I will be glad to provide the complete figures for you. I picked out only the major ones.

Senator MALONE. I think all the rest, Mr. Chairman, should go in the record.

The CHAIRMAN. Yes, it will.

Mr. ANSHEN. One hundred one thousand tons approximately for the Maritime Administration for ship construction, another close to forty thousand tons for electric power construction.

Mr. BROWN. Is that different from heavy power equipment?

Mr. ANSHEN. Yes. One is the equipment that goes in the plant and the other is the plant itself. That is the complete list I have with me, Mr. Chairman. There are many others that add up to over, well over, 3 million tons. I will be glad to supply for the record the complete list.

(See attachment C, appendixes.)

The CHAIRMAN. This is the list, 240,000 tons for defense, 273,000 tons for industrial plants, including aluminum, chemical, steel, 230,000 tons for heavy power, atomic energy and the like, 640,000 tons for the railroads, 101,000 tons for the Maritime, and then another 40,000 tons.

Senator ANDERSON. Where is the oil?

The CHAIRMAN. Precisely the question I was going to ask.

Mr. ANSHEN. I have not added that because I started out my statement, I believe, by answering the question: What were the needs in addition to oil? Mr. Brown can supply his statement I think with more facility than I can.

Mr. BROWN. I don't have the plate figures.

Mr. ANSHEN. Is it something in the neighborhood of three quarters of a million tons including, of course, not only the plates you use as plate for construction of refineries but the figure which is the plate to make the large sized pipes?

The CHAIRMAN. Are these the requests?

Mr. ANSHEN. Yes, sir.

The CHAIRMAN. Now what is the supply for the fourth quarter?

Mr. ANSHEN. The supply for the fourth quarter, which is an estimate furnished to us by the NPA Iron and Steel Division—that is their responsibility to tell us what they think. They have the experts on steel. We do not. We have a very small staff in our agency. We look to them for information on supply. Their estimate is that it will be about 2,480,000 tons.

The CHAIRMAN. Two million what?

Mr. ANSHEN. Two million four hundred eighty thousand tons for the fourth quarter, and they prayerfully submit that estimate on the assumption that we will not suffer a scrap deficiency.

As you may know, most of our steel mills are now running at a dangerously low scrap inventory level, in some mills only 2 or 3 days ahead in scrap, and every steel man is holding his breath to make certain that he will have the scrap we need in the fourth quarter. If we do not, not only will this production estimate be a bad one, but all the other estimates for all the other steel products.

The CHAIRMAN. May I just ask this other question. You have given us the list of the Requirements Committee. Is it within the jurisdiction of the Requirements Committee to indicate to the producing steel mills that additional plate is necessary?

Mr. ANSHEN. It is within the responsibility of the Chairman of the Requirements Committee, with the advice of the members which he earnestly solicits, to advise the National Production Administration, which deals with industry—our organization does not deal with industry at all. We deal only with the agencies. The National Production Authority deals with the steel industry, among many other industries. It is our responsibility to urge them in every way, and to lay down programs that they must follow for securing the most rapid possible conversion from the production of strip to the production of plate, and we have been doing that, and we will continue to do that.

The CHAIRMAN. Out of the figures that you have given us, the demand totals about 1,524,000 against a supply of 2,480,000.

Mr. ANSHEN. The total demand, Mr. Chairman, is in excess of 3,300,000. I haven't the other elements of it with me. I will submit them for you. (See attachment C, appendixes.)

Senator MALONE. Mr. Chairman?

The CHAIRMAN. Senator Malone.

Senator MALONE. This scrap is not connected with any question I had intended to ask, but it is generally understood that American steel manufacturers have been trying to secure scrap from Korea, but most

of it is going to Japan, to the steel mills in Japan. I cannot vouch for the correctness of that statement, but you could undoubtedly find out.

Mr. ANSHEN. I will try to find out for you, sir.

(A statement on steel scrap appears in attachment D of the appendixes.)

Senator MALONE. That domestic producers cannot get the steel scrap from Korea, because it has been assigned to Japan.

Now, Mr. Chairman, the testimony this morning seems very clear. I think the Chairman of the Board is doing the best he can, and he has made his decision very clear, that it is more important to prevent temporary unemployment in the industrial area where automobiles and other civilian equipment is being manufactured, than it is to assign this steel to the oil industry, although it is very clear also that the automobile industry, a large part of it, at least a substantial part is under conversion, that is, will be converted to military supplies, but the unemployment would be through that temporary conversion period, and they have evidently made their decision to withhold the necessary steel from the oil industry for that reason.

The temporary period of unemployment would be through the conversion period, and it is more important to the administration to hold employment up to standard rather than to divert the steel where it is most needed and risk some temporary unemployment. That is more important than it is to assign the necessary steel to the oil production.

Now that decision, Mr. Chairman, has evidently been a high policy decision, and evidently not made by the Chairman here at all.

Mr. ANSHEN. Please, Senator, there is no steel used to make automobiles that can be used to make large diameter pipe.

Senator MALONE. Then you are converting that just as fast as you can?

Mr. ANSHEN. Yes, sir.

Senator MALONE. But you are allotting this steel to the automobiles. Can that steel be used in any of these other industrial manufactures which might allow other steel to go to the oil industry?

Mr. ANSHEN. The kind of steel made in strip mills is almost entirely consumer-type steel, not entirely, but to a very large extent.

Senator MALONE. This steel going into the manufacture of automobiles, could it be used in other industries and be converted into other lines to save steel which might find its way to the oil fields?

Mr. ANSHEN. Not plate.

Senator MALONE. Of military and other situations?

Mr. ANSHEN. To some extent, yes, sir.

Senator MALONE. But this unemployment situation would be so important that it must be held up until the conversion is finished; is that it?

Mr. ANSHEN. I would like to add one comment there, if I may: That unemployment is not likely to be a matter of weeks. It may run for months.

The amount of munitions production coming out of the large contracts that have been placed with the automobile manufacturers is relatively small at the present time. It takes a long, long time to convert, and there would be men by the tens of thousands out of work for many months.

Senator MALONE. Can you convert, make the conversion while they are making automobiles?

Mr. ANSHEN. We are forcing the conversion just as fast as it can be done. The manufacture of automobiles is not holding up the production of military items.

Senator MALONE. Then I misunderstood you that that was such an important thing that you were assigning the steel there to prevent unemployment. Then you did not say that, or did you mean that?

Mr. ANSHEN. I certainly meant to say, sir, that we did not want to effect such a rapid drop in the production of automobiles that we would create large pools of unemployment in specific localities like Detroit that would continue for months.

Senator MALONE. Then that is more important.

Mr. ANSHEN. That is a clear policy laid down by Mr. Wilson.

Senator MALONE. Well, that is a high policy decision with which you have little to do.

Mr. ANSHEN. Yes, sir.

Senator MALONE. That is a good point. I made that point in the first instance.

Mr. ANSHEN. I did not make that policy, but I believe in it.

Senator MALONE. I made that point, and then I was interrupted that something was the matter with it, but it is a fact that the policy was laid down to you. You have nothing to do with it?

Mr. ANSHEN. That is right, but I concur in that policy.

Senator MALONE. Well, that is interesting. Now, if you will find out about the scrap from Korea and other places that is going to Japan—and I understand there is scrap that has been shipped from this country to Japan in addition to the Korea scrap which might otherwise be diverted here.

Mr. ANSHEN. I have no knowledge of that. I will try to find out.

Senator MALONE. Now, then, Mr. Chairman, have we any information as to the exact exports of steel for the last year, the last quarter, and what is intended to be exported for the next quarter?

The CHAIRMAN. This chart which has been read into the record shows that there were apparently 300,000 tons extra exported during the third quarter, or were scheduled for exportation on the average during the year 1950.

Senator MALONE. Mr. Chairman, I would like right at this point to interject a statement that might have something to do with the supplies in this country; at least it is something to think about.

There is a book recently written by the Royal Institute of International Affairs, entitled "Defense in the Cold War."

It goes on to say:

> The task for the free world—a report by Chatham House study group in London.

Without burdening the record, I come to the last paragraph, which is very interesting, and I would recommend this book for study to people that are interested in supplies for this country. It is a review of the book:

> To Americans an interesting reflection of European attitudes is contained in discussion of whether Britain and France can afford to rearm "for the third time in half a century." Here the authors draw earnest attention to the fact that such an effort would call for little in the way of sacrifice of social services and living standards.

In other words, if they were to apply themselves to rearmament now, the question has been posed as to whether they can afford to do it a third time—

* * * would call for little in the way of sacrifice of social services and living standards since "raw materials, food, and war supplies can be had in large quantities free from the United States."

Then the reviewer says:

The argument clearly discloses—

you understand, this is about an 800-page book, and this is a very short review—

* * * that Europe expects America to place a floor under its present standard of living as well as to provide the planes, guns, and nuclear manpower necessary to the defense of both Europe and European colonies.

Mr. Chairman, that is a very interesting book. It is written by high-level people in the British set-up. The book itself says, in effect, "This study of the current world situation"—and this is a book of about 800 pages—

is the collective product of a group which the London Observer refers to as "some of the best brains of the British Service Staff, and the Foreign Office." Nevertheless, it contains little that is new, and many of its conclusions can hardly be accepted by Americans.

It is a very interesting book. It shows that they expect the raw materials and supplies to be furnished free by America.

Now, that is my interest, not this book. But just what steel has been allocated, what types of steel have been allocated for construction of steel plants, or power plants, of irrigation, reclamation projects, industrial works, and other uses for steel in foreign countries. Would it be possible, or do you have anything, Mr. Chairman, to do with the allocation, say, for the fourth quarter of this year to foreign sources of that type of steel?

Mr. ANSHEN. I do.

Senator MALONE. Could you tell us now what you intend to do about it?

Mr. ANSHEN. No, sir; I cannot.

Senator MALONE. Could you tell us what you have under consideration?

Mr. ANSHEN. We are considering the needs of the export requirements along with the needs of all of our domestic economy right this week end. We have not reached a decision.

Senator MALONE. But you are studying it?

Mr. ANSHEN. Yes, sir.

Senator MALONE. Could you give us some idea of the figures you are considering?

Mr. ANSHEN. I can tell you this. We have made every effort to strain out of our export the kinds of steel products and shapes that are in tight demand here. We are cutting out of the exports the maximum tonnage of plate, for example.

Senator MALONE. How much plate has been recommended for the fourth export quarter to you?

Mr. ANSHEN. I am sorry, I do not have the figure with me. I will supply that.

(Tables showing foreign requirements for steel in the fourth quarter, 1951, appear in attachment E of the appendixes.)

Senator MALONE. Would you just estimate it? You undoubtedly have some idea, since your whole job, your sole job is to allocate the use of steel and to determine the exports in relation to domestic use.

Mr. ANSHEN. The total export claim for the fourth quarter will probably be in the neighborhood of—I am just dragging a figure from the back of my head—I would guess about 800,000 tons. It may seem a little strange, Senator, that I cannot produce the figure at the moment.

We deal with the whole economy, and we deal with an awful lot of figures. I will supply it for you and for the record.

(See attachment E, appendixes.)

The CHAIRMAN. More significant would be the amount of plate.

Mr. ANSHEN. I do not recall the plate figure either. I do know that we are making every effort to see that not one ton of plate goes out, except for a need that is directly related to our uses.

The CHAIRMAN. In the figures you gave a while ago, the smallest item was 40,000 tons. Would you say that as much of that is being claimed for export?

Mr. ANSHEN. I think more than that was claimed. I do not know if——

The CHAIRMAN. You will have that in the list?

Mr. ANSHEN. I certainly will.

(See attachment E, appendixes.)

Senator MALONE. Mr. Chairman, if you take the claimed requirements for export, and break it down just as you have for domestic supplies, you could do that for this record.

Mr. ANSHEN. I would be glad to do that for you.

(See attachment E, appendixes.)

Senator MALONE. Now, then, Mr. Chairman, we do know that there are steel plants under construction in Colombia, I believe, in Chile, and other projects of like nature contemplated in South America and in Europe. I read quite an article in a recent Sunday supplement that there is a great power project being constructed at the present time, I believe it is, in Switzerland, but it is one of the European countries. You know there are several of them. France has a very important program.

I had a 3-hour discussion with a gentleman whose name I cannot remember now, but they call it his plan in France. This was in 1947.

Senator ANDERSON. Jean Monnet.

Senator MALONE. Yes; that is right. His brain worked faster than anyone I have ever seen. I suggested afterward he should have a stream of cold water running across it. It might burst into flame. But all his power plants, transmission lines, and projects were to be paid for by the American taxpayer, and they would own them in fee simple when they were constructed. That was one thing on which we did not agree, but the Marshall plan made it possible.

I think it would be very interesting if you would just give us this whole picture there as to where these projects are under construction in Europe and South America. You will undoubtedly have to have that information in order to study and decide whether it is important or not; is that right?

Mr. ANSHEN. Much of that information, of course, is in the hands of the two principal export agencies, the Economic Cooperation

Administration and the Office of International Trade of the Department of Commerce.

Senator MALONE. Is it available to you?

Mr. ANSHEN. Yes; all of it is available.

Senator MALONE. Would you furnish it for the record?

Mr. ANSHEN. Yes.

The CHAIRMAN. And the import of steel.

(Attachment F of the appendixes contains a discussion of the import-export balance in steel.)

Senator MALONE. And then, could we get more information on what we call the black market? It is very well known around New York—I have had several people tell me about it—that they can get plate, tubular steel from, I believe they mentioned, Belgium and Luxemburg, and probably other places, but they must pay a premium of 30 or 60 percent, around 130 or 140 dollars a ton.

If we are building these plants for the foreign nations, and we have now for 3 years been enlarging them, and they are selling the product back here on the black market—and they are selling it, there is no question about that—we should know who is profiting from the transactions. There is no question in my mind that such sales are being made, because they are reliable people who have referred the situation to my office—it seems to me that there ought to be a review of this whole situation, and any steel then that they produce there—they are in this war the same as we are, in it theoretically, at least, mostly theory, I must admit, but they should not bootleg the product of the plants financed by us back to our taxpayers.

However, at the same time, it is a United Nations buildup. Why would it not be possible to get the capacity of these plants, the amount of export they have available in all of Europe, and add it to the total requirements for national defense, and allocate all of it in the same manner as we are allocating our own? Is that a fair question?

Mr. ANSHEN. It is, and we are trying to do that particular kind of thing right now. The National Production Authority has just taken action to encourage the use of imported steel by American manufacturers.

Senator MALONE. I then ask you this further question. Do you have any control over this black-market steel from Europe which was financed by our own taxpayers?

Mr. ANSHEN. Do I personally, sir? No.

Senator MALONE. I am not talking about you. I am talking about whom you represent. You represent the Government of the United States, do you not?

Mr. ANSHEN. It is the responsibility of the National Production Authority to see that all the steel that is produced gets into the hands of the user when they ought to have it.

Senator MALONE. Who is the head of the National Production Authority?

Mr. ANSHEN. Mr. Manly Fleischmann.

Senator MALONE. Maybe we should have Mr. Fleischmann here. He seems to have developed into a very important personage. If he is keeping track of the foreign steel which we know for a fact is being imported into this country, we had better get him up here.

The CHAIRMAN. Of course, the immediate objective of this session was to analyze the allocation of steel to the petroleum industry. At another occasion, I would be very glad to go into that matter.

Senator MALONE. Mr. Chairman, I would like to point out to you that this pipe is available to anybody who can pay the price, and I think I could get the people here to whom it has been offered, but maybe I would embarrass someone by asking him to come before the committee and tell you how it has been offered to him.

Mr. Chairman, I think it is important to have the man here who is responsible for the information as to the capacity of these plants.

The CHAIRMAN. I am very glad to be able to advise the Senator that I have been in communication with Mr. Fleischmann at the opening session of this meeting. Before the Senator arrived, I called attention to the fact——

Senator MALONE. Not before I arrived today. I do not think you called attention to anything, because I was waiting when the chairman arrived.

The CHAIRMAN. Not today, no. That there was a gray market in steel. I referred to the Wall Street Journal of Wednesday, June 27, 1951.

Senator MALONE. When did you refer to that?

The CHAIRMAN. At one of the original meetings.

Senator MALONE. Yes, but not today.

The CHAIRMAN. Not today, no.

Chicago: The price of gray- and black-market steel is softening. Premium-market prices still have a long way to drop before they approach mill or warehouse levels, but current quotations are as much as 40 percent lower than they were a month ago in the big Midwestern steel fabricating centers.

During recent months of steel shortages, perhaps 5 percent of the steel consumed in the country has reached manufacturers through extraordinary channels at high prices. Some prices commonly called gray market have been merely higher than the prices at steel mills or warehouses. Others, the black market, have been above ceiling prices. Steel men feel that the fact they are now showing signs of weakness here in the Midwest is particularly significant.

I had inquiry made this morning shortly after this session started, and I am glad to report that the Enforcement Division of the OPS has been looking into the problem of the black market. It was reported to me by Mr. Walter H. Dupka, who is Chief of the Steel Pricing Branch, Office of Price Stabilization, that the situation today is definitely better than it was a few months ago, and will continue to get better.

Mr. Dupka then described the sources of black-market steel as follows: First, a legitimate user. The producer who is almost never guilty of black market, he said. A legitimate user has more of a given type of steel than he needs, and so disposes of it to a broker who disposes of it to another broker, et cetera. This repeated selling of steel is the second source of the black market. Service charges which, on their face are often legitimate will often double the price of steel before it gets to an end user.

A third source of the black market is imports. It is much harder to keep track of imported steel. However, this situation will be met in part by the new warehousing regulations which will be issued as soon as Congress enacts the new controls bill.

I am sure the committee will be very much interested, of course, in finding out any and every source of black-market operations in steel.

Senator MALONE. Mr. Chairman, coming back to Mr. Fleischmann, I have crossed his trail a lot of times. Nearly every inquiry that comes in, the man to see is Mr. Fleischmann, so it seems to me, in view of these sources of the black markets which may not have been entirely clear even to the Chairman of the Program Requirements Committee, they do affect very clearly the supply of steel to the important users, and we think petroleum is important, and certainly the black-market tubular steel is at this moment available in New York to anyone who will pay the price. It would be very important if Mr. Fleischmann knows about that, and I should think we should have him here.

The CHAIRMAN. If I may, I would like to have Mr. Brown make such comment as he cares to make upon the need of the petroleum industry for steel. I invite Mr. Brown to make such comment as he cares to make on the presentation which has been made here this morning, and in due course, I would like to know, Mr. Anshen, whether or not there is any disagreement between your group and Petroleum Administration for Defense, first with respect to the possibilities of producing petroleum in the United States, and the necessity for doing that, and secondly, with respect to the requirements of steel to do the job.

Mr. BROWN. Senator O'Mahoney, I do not think that there can be or is any difference in the opinion between us on the subject of figures. The figures, as he says, are arithmetic.

Much of the data that was included in the Secretary's statement originated in a letter that our Director of Materials wrote to Mr. Anshen, so he is fully aware of our figures.

There is one thing I would like to say. I am sorry that it did not come out in his testimony. I know that this is in no way contradictory of anything he said, but it might clear up one big question in the minds of the committee.

I sat in the Program and Requirements Committee when Mr. Anshen's predecessor ran it, Mr. Wampler, and I know, and I know Mr. Anshen will concur, that the fundamental thing they were trying to do was to give to important industries in defense supporting programs 85 percent as much steel as they had used in the first quarter of 1950.

Now, in the final go-around of tailoring of things, they might have ended up slightly different than that, but that was their original objective, to give 85 percent.

It happened in the petroleum industry, as it probably did in others, that the first quarter of 1950 is a very poor quarter to use. They had to pick some quarter, but during the cold weather you do not lay pipe, and the actual requirements of the petroleum and gas industry are in its low ebb in the first quarter and the last quarter, and the high in the second and third quarter.

That is the reason why we ended up on their allocation with 73 percent as much steel as we used in the average of the first half of 1950, whereas they were working, they thought, on giving us 85 percent as much as we had used in the first quarter of 1950.

I am sorry Senator Anderson is not here to hear that, because I could see that same thing was bothering him. It is not that Mr. Anshen and I are arguing about different numbers, that I say 73 per-

cent and he says a higher percent. They used the first quarter of 1950 as a base.

I would like also to say that when that decision was made, that I told Mr. Wampler, in the presence of Mr. Anshen and Mr. Pratt Rather, who is here with me, that if we could not do any better than that, it was just a short time until we were going to have to ration oil and gas, and, as you know, we are already getting to that point.

The CHAIRMAN. Is there any agreement between you as to the increased production of plate which is taking place?

Mr. BROWN. Just this difference, Senator. I checked with our Mr. Watts, head of our Materials Division, who told me that he did not know of any conversions that had actually been made of strip to plate.

The Secretary did not quite say that, because we do not know everything. He said few if any conversions of steel-rolling mills from strip to plate have occurred. Mr. Anshen says they have occurred, and that is news to me, frankly.

Mr. ANSHEN. May I produce the facts at this point? The American Iron & Steel Institute, which is the official statistical reporting agency for the industry—it is not a Government agency; it is the industry's trade association, in effect—reported for the fourth quarter of 1950 the production of plates on strip facilities of 60,000 tons.

I have before me an estimate from the National Production Authority's Iron and Steel Division which says that in the fourth quarter of 1951 the production of plate on strip-mill facilities will probably be about 220,000 tons as against 60,000 tons one year ago.

Mr. BROWN. There is nothing inconsistent. We said it had not happened, and they are saying it is going to happen.

The CHAIRMAN. May I interrupt to ask who is the head of the Iron and Steel Branch of National Production Authority?

Mr. ANSHEN. Mr. Richard Sentner.

The CHAIRMAN. Thank you.

Mr. ANSHEN. In the second quarter of 1951, to go on with the answer to Mr. Brown's objection, I have a report of the production of 200,000 tons of plate on strip-mill facilities. Most of the increase therefore took place between the fourth quarter of 1950 and the current time, and does not represent a sudden increase in the fourth quarter, although we are pressing for further conversion.

Mr. BROWN. How much could you convert, do you suppose?

Mr. ANSHEN. I do not know, sir. It depends on two factors. One is the production of tin-mill products, tin cans. That production has been the subject of two contrasting forces, one trying to push it up, one trying to pull it down. On the one side we have an enormous expansion of agricultural production, perishable fruits and vegetables, among other things, and we feel that we cannot permit those crops to rot because they cannot be packed.

On the other side, the National Production Authority has issued a conservation order which is designed to cut back on the uses of tin cans for nonperishable-food purposes.

Now there are limits as to how fast they can do that, because when they cut back, they are saying in effect that manufacturers must put their products into other types of containers, into glass bottles, for example. It takes quite a while to step up the production of glass bottles, and longer to set up new production lines in the manufacturers' plants to fill those bottles. You do not use the same

equipment to fill tin cans that you use to fill bottles. We are pressing that as hard as we can, and NPA is meeting continuously with the industries concerned to speed that conversion.

The other fact which directly relates to this potential rate of conversion from strip production to plate production is the level of activity for all the industries which use strip steel, and as fast as we can push them down safely—and remember there is more than consumer goods involved, although they are an important factor—we are forcing a conversion.

You must also bear in mind, as I told you earlier, that you do not get ton for ton when you make plates on strip mills, but I would like, if you are interested in the problem, to consult with Mr. Sentner and to furnish you an additional report. Again, I am not a steel expert. He is. We rely on his staff for advice on that subject.

The CHAIRMAN. When you say we are forcing conversion, you mean that National Production Authority is?

Mr. ANSHEN. Yes, sir, and we are urging National Production Authority to deal with the industry to force the conversion. That is one of our responsibilities, and one of the responsibilities of the Requirements Committee of which Mr. Brown is a member.

The CHAIRMAN. Do you have any doubt about the petroleum productive capacity of the United States as presented by Petroleum Administration for Defense?

Mr. ANSHEN. Any doubts, sir?

The CHAIRMAN. Yes. I mean, you recognize that we can increase the supply of petroleum in the United States if we have the steel.

Mr. ANSHEN. Yes, sir.

Mr. BROWN. May I interrupt? I may be supplementing Mr. Anshen, and maybe I should let him do the talking, but I would like to remind you that the Defense Production Administration did endorse the petroleum program to Mr. Wilson; so I am answering that they do agree with us. They have said so in the meeting he had with the defense supporting programs when Defense Production Administration filed all of its staff reports. They recognized then the need for our program.

Mr. ANSHEN. I do not think there can be any argument about the importance of the petroleum program.

The CHAIRMAN. It is agreed then that we ought to produce this oil if we can.

Mr. ANSHEN. If we can, sir.

The CHAIRMAN. That is right.

Senator BUTLER. Mr. Chairman, I think this question to Mr. Anshen might be helpful at the moment. You read just a moment ago from the Wall Street Journal.

My attention has been directed a number of times to reports in the Wall Street Journal to the effect that an increased output of steel mills is objected to by the industry itself, on the theory that if they go ahead and meet these demands of the moment, and the crisis is over ultimately, why, they will be left out on the end of the limb with a big increased capacity, and no place to go with it.

Has any situation like that developed, or are you getting increased capacity and cooperation for increased capacity on the part of the industry?

Mr. ANSHEN. We are getting increased capacity and cooperation. This year we have an estimated production of about 107 million ingot

tons. That contrasts with the product tons figure we were using earlier. When you convert an ingot to finished steel, you lose tonnage.

Senator MALONE. About 80 million tons.

Mr. ANSHEN. Approximately, sir. We hope to reach 120 million ingot tons by mid-1953. That is part of the basic expansion program which Mr. Wilson has approved, and which is now being carried forward. And, incidentally, part of the increase in steel production from the third quarter to the fourth quarter represents a contribution of that part of the expansion program which is currently coming into production.

Senator BUTLER. I want to stress again the importance, I think, of permitting the increased capacity out in the Central West where there is going to be a demand right along.

Mr. ANSHEN. The placing of that capacity, sir, is the responsibility of the Iron and Steel Division, and the Facilities Bureau of the National Production Authority. We urge them to expand the goal. We help to make the goal. We do not deal directly with the industry in the Defense Production Administration.

The CHAIRMAN. With the agreement that has been reached here between Defense Production Administration and Petroleum Administration for Defense with respect first to the necessity for the petroleum production expansion, and its possibilities, and secondly, with the amount of steel which it ought to have, and the agreement that steel plate should be expanded, it seems to come down now to this issue:

What rating of priority is Defense Production Administration going to give to the minimum requirements of Petroleum Administration for Defense for steel, for country goods, and for line pipe?

I say, the minimum request, because there seems to be no dispute that the Secretary of the Interior and Mr. Brown have reduced their estimate of the amount of steel needed by Petroleum by 250,000 tons for the fourth quarter.

You nod affirmatively to that.

Mr. ANSHEN. They have done that, that is right.

The CHAIRMAN. It is clear from the statements which you have given us, and from the reports of the facts which are contained in the Wilson report, that in many other of these industries the demand has been larger than the average use in 1950. Petroleum seems to be the only industry which is essential to the national defense which has been cut back in its allocation of steel.

Mr. ANSHEN. May I comment on that, sir?

The CHAIRMAN. Yes, surely.

Mr. ANSHEN. What you say is true, but you must also bear in mind that petroleum and natural gas were operating at a very high level in 1950, whereas many of these other very important demands were not at a high level in 1950.

In lifting them at a more rapid rate than petroleum, we have not the slightest intention of saying they are more important or more urgent, but we do have to consider the balanced needs of the whole defense program.

The CHAIRMAN. May I say to you, sir, that I think that that is irrelevant, because the goal which has been set of 1 million barrels more of oil per day production was set in full knowledge of what the

activity was in 1950, and you, Defense Production Administration and Mr. Wilson, the Munitions Board, and Petroleum Administration for Defense all agree to that.

Mr. ANSHEN. That is right, sir. There were also established goals for many other important resources. The same Secretary of the Interior has approved a program for electric-power expansion which he has agreed to with the Administrator of the Defense Electric Power Administration, and for the expansion needs of the Defense Minerals Administration which he has agreed to with Mr. James Boyd, and similarly in other parts of the economy.

It is not until you put those expansion goals down on paper at one time and add them up, that you suddenly realize they call for more steel than you have.

The CHAIRMAN. But it still remains that during the third quarter of this year, petroleum was the only essential defense commodity that was cut below its 1950 use.

Senator MALONE. Mr. Chairman, the Secretary of the Interior made a very important contribution to this committee, I think, when he pointed out there was no shortage of oil. It was a matter of transportation and refinery capacity which was causing the current shortage.

I did ask a question earlier, and I wonder if it could be answered now, how long it would take if the steel were available for the additional necessary refining capacity of 1 million barrels, how long it would take to complete it, or put it in operation, or a substantial part of it.

Mr. BROWN. In peacetime it takes a minimum of a year to build a large refining unit. Our experience in World War II was that it took nearly two years. We are somewhere in a twilight zone here, and I imagine it would take about 18 months to finish one.

Senator Malone. After you have been allocated the definite amount of steel that you would need, and assured that you could get it, it would take 18 months?

Mr. BROWN. Part of that 18 months is devoted to engineering, so if they have any assurance at all they will get the steel, they can get part of the 18 months out of the way.

Senator MALONE. I am speaking of this date.

Mr. BROWN. From this date, 18 months.

Senator MALONE. Mr. Chairman, it is a very interesting sidelight that they had to have the production bill extension before they could find out about the foreign steel imports, and to control this form of holding up the domestic users in the purchase of a product which as taxpayers they have first financed.

I have always been given to understand that the complete records of imports were available at the customs, and that plenty of authority has been granted to determine just what is happening to these imports I do not understand, Mr. Chairman, that you need the extension of the price control bill or in fact any bill to secure such information.

The CHAIRMAN. You are quite right.

Senator MALONE. Thank you.

The CHAIRMAN. I think that unless Mr. Anshen cares to make any further statement now——

Mr. ANSHEN. I would like to make only two brief statements if you have the time, sir, and I will keep them very brief. I do not want the record to indicate that I concurred completely in Mr. Brown's statement.

I certainly concur in his statement of the importance of the petroleum industry, and in your description of it. Believe me, we have no misunderstanding on that point.

Mr. Brown, however, made reference to an 85 percent of first quarter operation in the third quarter. I think that may have left a somewhat erroneous impression in the minds of some of the people hearing the statement.

We had to achieve a balance. We had to try to achieve that balance by recognizing where, in the combined judgment of all the brains we could bring to bear on this situation, an advance in production was necessary.

In general, it is true that we thought of most of the industrial segment of this economy operating at something like an 85 to 90 percent of first-quarter rate, but we by no means thought in terms of putting any such flat horizontal cut across the American economy. I can imagine no more ridiculous way to tackle the problem of balancing our resources to meet defense needs. None of us placed such a ruler across requirements. It did occur, as a result of our judgment, that through many parts of the industrial economy we came out somewhere at that level, but we put machine tools at 140 percent of the first-quarter rate, and many types of important industrial components, like ball bearings, at 105 percent, as Mr. Brown well knows, because he took part in making that decision, and we took other parts of the economy and brought them down to much lower rates, to wit: consumer durable goods, and passenger automobiles.

The 85-percent horizontal cut was nothing that any of us contemplated. It is not the way to deal with that problem. The only other point I want to make, in two sentences, is that in all of these issues you deal with choices. If we give more steel to petroleum, we have to take that type of steel, whatever it is, away from some other important use, and we have to balance as best we can these relative needs in the defense program. It is a matter of judgment. It is a judgment that we make with the cooperation of all of the people that we can bring to help us with them.

The third-quarter program represented such a balanced judgment, and before it was finalized, it was reviewed, as I said earlier, of course, by all the members of the Requirements Committee, none of whom for his own area would say with confidence, "This is all I need."

It wasn't. It was less than they stated they needed. It was the balance that we could underwrite with our supplies of steel. It was reviewed at the highest level by Mr. Wilson and his advisers, and all agreed it was a reasonable program.

The CHAIRMAN. When your requirements committee meets—Mr. Brown is a member of that committee, of course—he will be there, and it will be at that session, I assume, that you will come to the conclusion as to the recommendation that you will make as to priority among these various uses?

Mr. ANSHEN. Not priority, sir. We do not place any one of these in any sense in a preferred position, with a right to place preferred orders at the mills. They all stand on the same footing. What we do is decide the size of the program by the amount of steel allotted.

The CHAIRMAN. Well, I think I will still use the word "priority." By it, I mean you must inevitably come to a decision as to priority when you choose to take steel away from one industry and allocate it to another, when you choose to reduce the amount of steel which is

allocated to one industry below that which it was getting before you began to operate.

That is what I mean by "priority." It is essential; it is an integral part of the decision that you must make.

Mr. ANSHEN. Mr. Chairman, I did not mean to challenge your use of the word "priority," but there is a distinction I want to make clear. If you were disposing of your family's budget, and you were deciding to put out $2,000 for the purchase of a new car this year, and set aside, let us say, $50 for dental expenses, it would not be because you thought the new car was more important than the dental expenses, but you were making a balanced budget, and that is what we try to do. We do not mean to appraise the urgency in terms of whether we give more or less.

The CHAIRMAN. I do not wish to get into a discussion of semantics with you, Mr. Anshen.

Mr. ANSHEN. I do not either, sir.

The CHAIRMAN. The problem is petroleum, a most essential commodity for defense. Are we going to get it in a turbulent world in which foreign supplies are being cut off, or are we not, and what weight does Defense Production Administration give to the Iranian crisis, and the capacity of the United States to produce necessary oil without which airplanes cannot run, ships cannot sail, or tanks operate in line of battle, or in line of training.

Your whole military program depends upon this liquid fuel, and if you should decide upon a question of semantics that you are not going to give petroleum the allocation of steel that it needs to supply the fuel for war and training for war, I think it would be a very serious decision against the public interest.

Senator MALONE. Mr. Chairman, first I would like to congratulate the chairman of this committee on the intelligent way, and his understanding of the way they have decided to do the job. He has shown a thorough understanding of his job. I would like to suggest, Mr. Chairman, however, that Mr. Fleischmann be called since he is the last word. I suppose this will be the closing of the hearing?

The CHAIRMAN. Oh, no. We are going to keep our eyes on this matter.

Senator MALONE. I mean of calling further witnesses?

The CHAIRMAN. No, not at the moment.

Senator MALONE. If we are not going to call Mr. Fleischmann——

The CHAIRMAN. Mr. Fleischmann has just been confirmed. He is now in the position of head of Defense Production Administration and National Production Authority, and I would like to give him a little opportunity to fit himself in to the two duties before calling him up.

Senator MALONE. Mr. Chairman, Mr. Fleischmann has been over there for 6 or 8 months.

The CHAIRMAN. Yes, but in a different capacity from that which he now fills.

Senator MALONE. In any case, the final authority has been given to him, so if we are not going to call him, could we have the chairman confer with Mr. Fleischmann and find out something about the amount of this steel that is being imported, including the types of steel, and the conditions under which it is coming in? Could we have the chairman confer with Mr. Fleischmann, and furnish a supplementary statement?

The CHAIRMAN. I will be very glad to ask him that.

(See attachment F.)

Senator MALONE. Let me say, too, it has been very interesting to me that you have stepped up machine tools 140 percent, the allocation of steel to the machine-tool industry, and ball bearings 105 percent. This seems to me the heart of the picture.

For 3 years there have been numerous trade treaties between the European countries to which we are furnishing steel, we are furnishing finances, we are furnishing the sinews of the industry, and the last report that I made to the Senate there were 96 known treaties with 16 Marshall plan countries, furnishing large amounts of machine tools, ball bearings, electric equipment, and all such materials to Russia and the iron-curtain countries needed to consolidate their gains and to fight world war III with us.

Now, if Mr. Fleischmann or any of your staff inquires into this matter, it seems to me that since the availability of ball bearings, machine tools, plate steel, and all types of scarce materials that are being manufactured in your 16 nations and being shipped to our potential enemies, that since they are very reluctantly agreeing to allow us to protect them from Russia, that we should look into this matter very closely.

I read a paragraph from a book written by the brains of England that says we are going to furnish them all the materials they need free, anyway, and it does not make much difference in their standard of living whether they prepare for war or not.

But would it be possible for you to inquire into this matter and see what is going on, and see if it would be possible to get some kind of a statement as to the over-all production of the kind of steel needed in the defense set-up in Europe, where it is going, its availability to us, and the so-called combination of nations that feel they might be attacked by Russia.

The trade agreements between Europe and Russia, and the materials still going to Communist China through Hong Kong, and Singapore, should be interesting to this committee. Only this morning the news dispatches carry the word that the President of the Security Council has eliminated India from the Kem-Malone-Wherry resolution passed by the Senate and the House, prohibiting shipments of such materials to Russia and the iron-curtain countries by the nations that we are assisting, or at least cutting off our assistance to such nations, and that India is being eliminated by action of the Security Council of the U. N., with the approval of the President of the United States.

India is the Nation that put an embargo on manganese coming into this country. It is well known they have more manganese than they can use in a hundred years, and supply us, too, and certain other materials, including hemp which we do not produce.

It would be very interesting to have this information. And if the committees do not have the authority to do it, it might be something to take up in a legislative way.

Would it be possible for you, Mr. Anshen, to work through Mr. Fleischmann and through your set-up and furnish such information to the committee.

Mr. ANSHEN. I will try to do so.

Senator MALONE. Thank you.

The CHAIRMAN. The committee will stand in recess until the call of the Chair.

(Whereupon, at 12:50 p. m., the hearing was adjourned, subject to the call of the Chair.)

APPENDIX

DEFENSE PRODUCTION ADMINISTRATION,
Washington 25, July 31, 1951.

Hon. JOSEPH C. O'MAHONEY,
Chairman, Committee on Interior and Insular Affairs,
United States Senate, Washington, D. C.

DEAR SENATOR O'MAHONEY: The enclosed material is supplied in response to requests for additional explanations and data originating during my testimony at the July 19 hearing held before the Committee on Interior and Insular Affairs on the subject of the steel allocation to the Petroleum Administration for Defense in the third quarter, 1951. I regret the delay in furnishing this material. For the past 3 weeks, the staff of the Office of Program and Requirements has been occupied with the fourth quarter allocations of controlled materials and, in view of the importance of this assignment, it appeared to be undesirable to detail more than one staff member to collect from our files, from several of the claimant agencies, and from the Iron and Steel Division of the National Production Authority the information and statistical material requested. I am glad to be able to place this material in your hands at this time.

Attachment A contains summary biographical material for the members of the Requirements Committee and the Program Adjustment Committee. The following committee members are represented:

Requirements Committee:
- Melvin Anshen, chairman
- James Boyd, mines and mining
- Bruce K. Brown, petroleum and gas
- Frank R. Creedon, construction
- Manly Fleischmann, industrial production
- Gus F. Geissler, agriculture
- Frank P. Graham, labor
- G. Griffith Johnson, economic stabilization
- Delos W. Rentzel, transportation
- J. J. Scanlon, vice chairman
- Richard D. Searles, public utilities
- J. D. Small, military
- Willard L. Thorp, foreign policy
- Lewis Allen Weiss, civilian requirements

Program Adjustment Committee:
- Karl Anderson, Office of International Trade
- Dean O. Bowman, industrial production
- Leslie P. Doidge, civilian requirements
- James B. Eckert, economic stabilization
- James F. Fairman, public utilities
- D. A. Fitzgerald, Economic Cooperation Administration
- Robert C. Goodwin, labor
- John L. Haynes, construction
- Philip A. Hollar, transportation
- C. W. Middleton, military
- H. A. Montag, mines and mining
- J. J. Scanlon, chairman
- John H. Stambaugh, agriculture
- F. A. Watts, petroleum and gas
- W. J. Zepp, Canada

Attachment B is a table showing requirements and program determination allotments in detail for the third quarter. In connection with this table, I should like to draw attention to the fact that the third quarter was the first time we under-

took to collect requirements data for the entire economy. The staffs of the participating agencies were inexperienced and were compelled to work with inadequate statistical material, since our Government does not collect in time of peace the data needed by the defense agencies in a period of national emergency. One result of this circumstance was that the initial submission of requirements was full of errors, duplications, and omissions. In many instances, requirements as originally submitted were later substantially increased by informal amendments developed through staff conferences. This will explain several instances in which requirements as stated (based on formal submissions) were smaller than allotments ultimately made by program determination. In all these cases, staff conferences developed substantially higher requirements than appeared in the original formal documents.

Attachment C presents a table showing carbon steel plate requirements for the fourth quarter, 1951. It should be noted, in connection with this table, that the stated plate requirements for the Petroleum Administration for Defense include very heavy tonnage which PAD claims for as large diameter pipe but which impacts on steel producers in the shape of demand for plate.

Attachment D presents a statement on steel scrap, with particular reference to the question raised by Senator Malone about a possible flow of scrap from Korea to Japan.

Attachment E contains tables showing foreign requirements for steel in the fourth quarter, 1951. In connection with these tables, it is worth pointing out that both ECA and OIT undertake a considerable screening job prior to the submission of requirements to the Defense Production Administration.

Attachment F contains a discussion of the import-export balance in steel, together with detailed tables showing steel imports and exports by countries for the year 1950 and the first quarter, 1951, and United States imports of fabricated products.

I hope that this material supplies the gaps in my testimony before your committee. I shall be glad to assemble any further data that you may find helpful.

Very truly yours,

MELVIN ANSHEN,
Acting Deputy Administrator for Program and Requirements.

ATTACHMENT A

Melvin Anshen, Acting Deputy Administrator for Program and Requirements, Defense Production Administration

Mr. Anshen was born in Boston, Mass. He is a graduate of Harvard College and the Harvard Graduate School of Business Administration.

From 1937 to 1951 he was a member of the faculty of the School of Business, Indiana University, with frequent periods of leave to take other assignments.

He served on the staff of the War Production Board from 1942 to 1946, first as Deputy Director of the Controller Division and later as Director of the Research Coordination Staff.

In 1947 he was a visiting lecturer at the Harvard Graduate School of Business Administration, and in 1950 he held an appointment as visiting professor at the Graduate School of Business, Stanford University.

In 1948 and 1949 he was a consultant to the National Security Resources Board, and in 1950 he served in the same capacity with the National Production Authority. He has been with the Defense Production Administration since February 1951.

James Boyd, Administrator, Defense Minerals Administration, Department of Interior

Born in Kanowna, western Australia, Mr. Boyd was educated both in England and the United States, receiving a B. S. degree in engineering and economics from the California Institute of Technology in 1927. Awarded a master of science by the Colorado School of Mines in geophysics, he received his doctor of science from the same school in geology.

After serving 2 years as field engineer with the Radiore Co., Mr. Boyd was engaged as instructor by the Colorado School of Mines, and later, after World War II, was appointed dean.

During World War II, he served in both this country and Europe, attaining the rank of Colonel. In 1943–44, he served in the Office of the Director of Matériel, Headquarters Army Service Forces, in Washington, and was the United

States Army representative on the program adjustment committee of the War Production Board.

In 1945, Colonel Boyd was sent to Europe to direct the activities of the Production Control Agency under GS–4 of the Supreme Headquarters of the Allied Expeditionary Forces, and also the Industry Division of the Office of Military Government. He remained in Germany until the summer of 1946, returning then to the Colorado School of Mines.

Bruce K. Brown, Deputy Administrator, Petroleum Administration for Defense, Department of Interior

Mr. Brown was born in Columbus, Ohio. He graduated from the University of Illinois where he received his bachelor of science and master of science degrees.

He was associated with the Burgess Laboratories, Madison, Wis., and the Commercial Solvents Corp. as a research chemist and patent expert. During his practice of chemical patent law he was admitted to the Indiana bar, and later to the bar of Illinois and the District of Columbia, and admitted to practice before the United States Supreme Court.

He joined Standard Oil Co. (Indiana) in 1929, and later was named general manager. In November 1941, he was called to Washington and served during the War in the Office of Petroleum Coordinator for War, later changed to Petroleum Administration for War.

In 1947 he was elected president of Pan-American Petroleum Corp. He became president of Pan-Am Southern the following year, and resigned this position in 1950 to become Deputy Petroleum Administrator of the Petroleum Administration for Defense.

He is the author of a number of papers in technical and trade journals, largely on plastics, lacquers, solvents and pigments.

Frank R. Creedon, Assistant Administrator, Facilities and Construction Bureau, National Production Authority

Mr. Creedon was born in Brockton, Mass., and is a graduate of the Massachusetts Institute of Technology.

He has had an extensive background as a construction executive. In 1942, he directed the Government construction program for ordnance and chemical warfare plants, and later became Deputy Rubber Director in charge of construction for the synthetic rubber program. In 1944 and 1945, Mr. Creedon was construction manager for Stone and Webster Engineering Corp., in charge of construction of the atomic bomb plant at Oak Ridge, Tenn. After that project was completed, he served for a year and a half as Federal Housing Expeditor. In 1948, the General Electric Co. named him construction manager in charge of design and construction of the atomic bomb plant at Hanford, Wash., a post he held until coming to NPA in November 1950.

Manly Fleischmann, Administrator, Defense Production Administration and National Production Authority

Mr. Fleischmann was born in Hamburg, N. Y., and is a graduate of Harvard University and the University of Buffalo Law School.

He is a senior member of the law firm Fleischmann, Auspurger, Henderson & Campbell of Buffalo, and for the past 2½ years has operated the Sterling Engine Co. of Buffalo as receiver appointed by the United States district court.

He first entered Federal service in April 1941, serving until August 1943, as Assistant General Counsel of WPB and its predecessor agencies. He served with the United States Navy, assigned to the Office of Strategic Services, from August 1943 to September 1945.

Following his military service, Mr. Fleischmann served for several months as General Counsel for the Foreign Liquidation Commission in the Department of State. He resigned in February 1946 to return to private law practice.

Mr. Fleischmann is a lecturer on international law at the University of Buffalo and is a former president of the Buffalo Council on World Affairs. During the Summer of 1950, he was Consultant to the ECA on Asian problems.

Gus F. Geissler, Administrator, Production and Marketing Administration, Department of Agriculture

Mr. Geissler, who owns and operates the grain and livestock farm near Medina, N. Dak., where he was born, has a broad background of experience not only in agricultural production but also in the management of cooperative farm businesses and in public administration.

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He attended Jamestown College in North Dakota and is a graduate of an Iowa business school.

Starting as a community committeeman in 1933, under the original Agricultural Adjustment Administration wheat program, Mr. Geissler has held various positions since that time in the AAA and other agencies of the Department of Agriculture. Mr. Geissler came to Washington in 1941 as Assistant Director of the AAA Western Division, and was named Director of that Division in 1943. Appointed Manager of the Federal Crop Insurance Corporation in April, 1946, he headed this agency until his selection in April, 1951, for his present assignments as Administrator of the Production and Marketing Administration and President of the Commodity Credit Corporation.

Frank P. Graham, Administrator, Defense Manpower Administration, Department of Labor

Mr. Graham was born in Fayetteville, N. C. He is a graduate of the University of North Carolina and of Columbia University, and holds honorary degrees from several other universities.

From 1930 to 1950, he was president of the University of North Carolina. He has held important positions in a number of national organizations, including service as Chairman of the National Advisory Council on Social Security, member of the National Emergency Council, and member of the President's Committee on Education. He was Chairman of the Public Hearings Committee of the President's Labor-Management Conference in 1945, member of the Maritime War Emergency Board from 1942 to 1946, United States representative on the Good Offices Committee of the Security Council of the United Nations on Indonesia from 1947 to 1948, and Special Advisor to the Secretary of State on Indonesian Affairs in 1948. He was, by appointment, United States Senator from North Carolina from 1949 to 1950.

G. Griffith Johnson, Economic Adviser, Economic Stabilization Agency

Mr. Johnson was born in New York City. He was awarded bachelor of arts, master of arts, and doctor of philosophy degrees from Harvard University.

From 1936 to 1938, he was with the Treasury Department as research assistant in the Division of Research and Statistics, and Assistant to the Fiscal Assistant Secretary. He was with the National Resources Planning Board in 1939 as Assistant Director on the study of economic effects of Federal public works expenditures, and from 1939 to 1940, served as an economist in the Industrial Economics Division of the Department of Commerce.

Mr. Johnson was Director of the Consumer Durable Goods Division of the Office of Price Administration, and its predecessor agencies, from 1940 to 1946 and during the following year was a consulting economist. He was Director of the Economic Stabilization Division of the National Security Resources Board from 1948 to 1949, and Assistant Division Chief of the Fiscal Analysis Division, Bureau of the Budget from 1949 to 1950.

Delos W. Rentzel, Under Secretary of Commerce for Transportation, Department of Commerce

Mr. Rentzel was born in Houston, Tex., and is a graduate of the Engineering School of Texas A. and M. He was awarded an honorary doctor of laws degree from the University of Miami and an honorary doctor of science degree by Rider College, Trenton, N. J.

Until 1931, Mr. Rentzel worked on radio station installations for the United States Navy. He then joined American Airways, Inc., as radio operator and station manager. In 1943, he became president of Aeronautical Radio, Inc., and in 1948, was appointed Administrator of Civil Aeronautics. On October 4, 1950, Mr. Rentzel was sworn in as Chairman of the Civil Aeronautics Board and served in this capacity until May 7, 1951, when he was appointed Under Secretary of Commerce for Transportation.

John J. Scanlon, Assistant Deputy Administrator for Program and Requirements, Defense Production Administration

Mr. Scanlon was born in Philadelphia, Pa., and is a graduate of the University of Pennsylvania. He is presently a resident of Devon, Pa.

He is assistant comptroller of The Bell Telephone Co. of Pennsylvania and has been associated with that company throughout his entire business experience except for his activities during World War II and his present tour of service with the Defense Production Administration, which commenced February 14, 1951.

During World War II he served from January to October 1942 in the Machine Tools Division of WPB dealing largely with materials requirements and produc-

tion-scheduling matters. In October 1942 he entered the military service in headquarters, ASF, and remained on active duty until October 1945, during which period he held assignments concerned with procurement planning and production controls.

In 1945 he served 3 months on a special military assignment in Germany for review of German industrial and economic mobilization for war.

Richard D. Searles, Under Secretary, Department of the Interior

Mr. Searles was born in Cedar Rapids, Iowa, and attended Northwestern University and John Marshall Law School, Chicago, Ill.

He is a former State treasurer of the Democratic Committee in Arizona and has long been active in the National Reclamation Association. He was elected president of the Salt River Water Users Association, oldest and largest organization of its kind, 3 years ago, and is president of Circle S. Ranch at Scottsdale. He has been associated with Trans-World Airlines, Arizona Airways, and Southside Sand & Rock Co. of Arizona. Mr. Searles also served in the Arizona Legislature from 1946 to 1948.

John D. Small, Chairman, Munitions Board

Mr. Small was born in Palestine, Tex. He graduated from the United States Naval Academy and received his M. S. degree from Columbia University.

He was commissioned as an ensign in the United States Navy in 1915 and advanced to lieutenant commander, commander 1942, and commodore in 1945.

He was vice president of the Dry Ice Corp., and western manager of Publicker, Inc., Chicago, from 1932 to 1941.

Mr. Small served as deputy director of the Army and Navy Munitions Board from 1942 to 1943; Materials Control Officer and Landing Craft Coordinator, Navy Department from 1943 to 1944, Executive Officer of the War Production Board from 1944 to 1945, Chief of Staff from April to November 1945; Civilian Production Administrator from 1945 to 1946, retired in 1947. He is past president of Maxson Food Systems, Inc., since 1947, and chairman of the mercantile section of the New York Board of Trade since 1947.

Willard L. Thorp, Assistant Secretary for Economic Affairs, Department of State

Mr. Thorp was born in Oswego, N. Y. He received his A. B. degree from Amherst, A. M. degree from the University of Michigan, Ph. D. from Columbia University, and LL. D. from Marietta College in Ohio, and was an economics instructor at the University of Michigan and Amherst College. He was in the United States Army during World War I.

From 1933 to 1934, Mr. Thorp was Director of the United States Bureau of Foreign and Domestic Commerce, at which time he became Chairman of the NRA Advisory Council. From 1935 to 1945, he was director of economic research for Dun & Bradstreet, Inc., and from 1939 to 1940 served as Economic Adviser to the Secretary of Commerce.

In 1945, he was Deputy Assistant Secretary of State for Economic Affairs and, in 1946, was appointed Assistant Secretary of State for Economic Affairs. While serving as Assistant Secretary, he was a member of the United States delegation to the Paris Peace Conference, serving in the capacity of special adviser on economic matters. He has also acted as special adviser on economic matters to the Council of Foreign Ministers, New York; American representative on the United Nations Economic and Social Council; and alternate representative to the UN General Assembly.

Mr. Thorp is a member of the American Economics Association, and the American Statistical Association. He is the author of The Integration of Industrial Operation and editor of Economic Problems in a Changing World.

Lewis Allen Weiss, Assistant Administrator, National Production Authority

Mr. Weiss was born in Chicago. He graduated from Kent College of Law and the University of Southern California. He served in World War I as a captain in the Fourth Cavalry Division.

He was chairman of the Board of the Mutual Broadcasting System from 1947 to 1949 and was a board member when he retired in November 1950. He also was president and director of the Pacific Northwest Broadcasting System, the Don Lee Broadcasting System, and California Broadcaster, Inc., from 1943 until 1950.

He is a past director of several organizations, including the chamber of commerce at Hollywood, Calif., the Los Angeles Chamber of Commerce, and Tele-

vision Broadcasters Association. He is a member of the Los Angeles Rotary Club, Delta Theta Phi, and Alpha Delta Sigma.

Before joining NPA, he served briefly as management adviser for the Hughes Aircraft Co. at Culver City, Calif.

Karl L. Anderson, Acting Deputy Director, Office of International Trade, Department of Commerce

Mr. Anderson was born at Charlottetown, Canada, June 26, 1905. He became a naturalized United States citizen on July 22, 1942. He was educated at Mount Allison University, Sackville, Canada, and Harvard University, Cambridge, Mass. (Ph. D. Economics).

He was a teacher of economics at Harvard University from 1930 to 1934 and at Byrn Mawr from 1934 to 1942.

His Government employment follows: OPA, 1942 to 1946; State Department, 1946 to 1949; Office of International Trade, Director, British Commonwealth Division, 1949 to 1951, Acting Deputy Director, 1951.

Dean O. Bowman, Assistant Administrator, Policy Coordination Bureau, National Production Authority

Mr. Bowman was born in Chalmers, Ind. He was graduated from Purdue University in 1933 and received his master's degree from Purdue in 1934. He was awarded a doctor of philosophy degree in 1941 by the University of Michigan.

Previous to his present appointment, he was special assistant to the Assistant Administrator for Industry Operations, NPA, and Assistant Director of the Office of Industry and Commerce of the Department of Commerce. He also served with the Commerce Department's Office of Industry Cooperation. Before accepting a position with the Commerce Department in 1948, Mr. Bowman was for 2 years an economist with the Occupied Areas Economic Affairs Division, Department of State.

During World War II he was in the United States Army, assigned to the Office of Strategic Services in Washington, and received an Army commendation for his work.

Leslie P. Doidge, Director, Consumer End Products Division, Office of Civilian Requirements, National Production Authority

Mr. Doidge was born in Philadelphia, Pa.

From 1920 to 1938, Mr. Doidge was assistant to the president of Barron G. Collier, Inc., an advertising and merchandising firm. From 1938 to 1942, he was president of L. P. Doidge Advertising Co. During the period 1942 to 1945, Mr. Doidge was Chief of the Consumer Durable Goods Branch, Office of Civilian Requirements, War Production Board.

From 1945 to 1948, Mr. Doidge was sales manager of the Forbert Corp. During the following year, he was Deputy Director, Consumer Durable Goods Division, National Security Resources Board. From November 1949, to November 1950, Mr. Doidge was manager of the Hotpoint builders division, southern Maryland, District of Columbia and northern Virginia area, after which he was appointed Director of the Consumer End Products Division, Office of Civilian Requirements, NPA.

James B. Eckert, economist, Economic Policy Office, Economic Stabilization Agency

Mr. Eckert was born in Albion, Pa. He was awarded an A. B. degree from Oberlin College, A. M. degree from the University of Cincinnati, and Ph. D. from Cornell University.

He was an instructor in economics at Cornell University and the University of Rochester, New York, from 1936 to 1942.

Mr. Eckert was with the Office of Price Administration in various positions from 1942 to 1947, and was a fiscal analyst with the Bureau of the Budget from 1947 to 1951.

James F. Fairman, Administrator, Defense Electric Power Administration

Mr. Fairman is a native of Big Rapids, Mich. He was educated in the public schools of that city and at the University of Michigan, from which he was graduated in 1918 with a B. S. degree in electrical engineering. He remained at the University for the next few years as instructor in electrical engineering and received a M. S. degree in 1929.

He joined the Brooklyn-Edison Co., New York City in 1925, was elected vice president in 1945, and has been serving in that capacity since that time.

Mr. Fairman joined Defense Electric Power Administration in March of this year, and was appointed Administrator of DEPA on July 1.

D. A. Fitzgerald, Assistant Administrator for Supply, Economic Cooperation Administration

Mr. Fitzgerald attended the University of Saskatchewan, graduating with B. S. degree in 1924. Later he went to the Iowa State College, earning the degree of M. S. in 1925. In 1938 he received the Ph. D. degree from Harvard University.

He was with the Brookings Institution from 1933 to 1935, where he did research in agricultural economics. From 1935 to 1946 he held various posts as an agricultural economist in the United States Department of Agriculture. Following the end of the war, he accompanied President Hoover on the latter's world food mission in 1946. During 1946–48 he was Secretary General of the International Emergency Food Council.

In 1948, when ECA was organized, he was appointed Director of the Food and Agriculture Division. For the remainder of 1948 and until July 1949, he simultaneously served as Director of the Office of Foreign Agricultural Relations of the Department of Agriculture.

In April 1951, he was appointed Deputy Assistant Administrator for Supply and later became Assistant Administrator for Supply, ECA.

Robert C. Goodwin, Executive Director, Defense Manpower Administration, United States Department of Labor

Mr. Goodwin was born in Payette, Idaho, and is a graduate of Whitman College, Walla Walla, Wash. He also attended the University of Cincinnati.

He was in charge of various public-employment and public-welfare groups in Cleveland, Ohio, from 1930 to 1939, at which time he became Regional Director of the Social Security Board in Cleveland.

In 1945, Mr. Goodwin became Executive Director of theWar Manpower Commission, Washington, D. C. From 1945 to 1950, he was Director of the United States Employment Service, Department of Labor; Bureau of Employment Security of the Social Security Administration, Federal Security Agency; and the Bureau of Employment Security, Department of Labor.

John L. Haynes, Director, Building Materials Division, National Production Authority

Mr. Haynes is a graduate of George Washington University in both law and engineering and has been connected with the construction industry for 25 years.

He was Chief of the Construction Division in the Department of Commerce for several years, transferring to NPA in that capacity. He then was assigned to organize the Building Materials Division in the Facilities and Construction Bureau.

He served with the Charles H. Tomkins Co. in Washington, the United States Engineers, the N. P. Severn Co. of Chicago, and as a resident engineer on public-building construction in the Washington area before becoming principal engineer for the Securities and Exchange Commission in 1933.

He was Director of the Building Materials Division in the War Production Board from 1941 to 1944. In the last year of the war he was Director of the WPB Construction Bureau. He became Chief of the Construction Division in the Department of Commerce September 24, 1945.

Mr. Haynes was on leave with the Economic Cooperation Administration from September 1948, to September 1949, as program review officer in Brussels, Belgium.

Philip A. Hollar, Deputy Under Secretary for Transportation, Department of Commerce

Mr. Hollar has been in his present position since April 1951. He is vice president of the American Car & Foundry Co., with headquarters in Chicago, and is on loan to the Department of Commerce.

Mr. Hollar has been in transportation and allied fields for 30 years and has served in the mechanical, purchasing, and stores departments of the Pennsylvania Railroad, and the operating and maintenance department of the Association of American Railroads prior to joining American Car & Foundry Co.

In World War II, he was, for a time, Director of the Material and Equipment Division of ODT and was consultant to ODT and WPB.

Cornelius W. Middleton, Vice Chairman, Munitions Board, Production and Requirements

Mr. Middleton was appointed as Vice Chairman for Production and Requirements Management, Munitions Board, on March 7, 1951.

He received his degree in civil engineering from Cornell University and has been with the firm of Babcock & Wilcox, New York, since 1917, becoming a director of the company in 1925.

H. A. Montag, Director, Mining Machinery Division, National Production Authority

Mr. Montag was awarded the bachelor of science degree by the Ohio State University. From 1927 to 1943 he was with Jeffrey Manufacturing Co., Columbus, Ohio, in various capacities, including head of sales and market analysis department.

During World War II, he was Deputy Chief, Program Section, Mining Division, WPB; Chief, Program Section; Chief, Program and Mining Machinery Section; Chief, Mining Branch, CPA. In 1946, he joined Joy Manufacturing Co., Pittsburgh, Pa., as assistant to the president, charged with correlation of sales and manufacturing programs and release of production to the seven plants of the corporation. In 1948, he was assigned to Washington on a task force of the mining machinery manufacturers' industry, allocating steel under Public Law 395 (80th Cong.).

He has been a member of the Technology Committee of the National Minerals Advisory Council to the Secretary of the Interior; member, joint task force of the NMAC and the National Bituminous Coal Advisory Council working on requirements for maintenance, repair and operating supplies for mines and smelters, and mining machinery requirements; consultant to National Security Resources Board, formulating modes of operation for mining machinery industry should a new national emergency arise.

In November 1950 he was appointed consultant to defense offices of the Department of the Interior. In March 1951 he was named Director, Requirements Division, Defense Minerals Administration, Washington, D. C.

John H. Stambaugh, Assistant to the Secretary, Department of Agriculture

Mr. Stambaugh is a native of Illinois and owns and operates a large farm in Porter County, Ind., specializing in dairy cattle and grass-lands farming. He also heads a farm-equipment business at Valparaiso, Ind., and an organization in Chicago which is carrying out research work in milk processing and field engineering in dairy plants for canned whole milk.

During World War II, Mr. Stambaugh served as Deputy Director of the Office of Materials and Facilities in the War Food Administration.

In his present capacity, he assists in the preparation and presentation of requirements for materials and facilities which are vital in the production and handling of food and other agricultural commodities.

Frank A. Watts, Director, Materials Division, Petroleum Administration for Defense

Mr. Watts was born in Houston, Tex.

He served as special consultant on materials for the Petroleum Administration for War from January 1943 through February 1943 and as Director of Materials from February 1943 through April 1944.

Except for his period of Government service, Mr. Watts has been associated with the Humble Oil & Refining Co., first in producing, material, and purchasing lines and, in later years, as its general sales manager.

W. J. Zepp, Acting Director of Canadian Division, National Production Authority

Mr. Zepp attended George Washington University and American University, Washington, D. C. He graduated in law from the latter.

He held various jobs with the Government from 1931 to 1942, at which time he joined the War Production Board. His positions there included that of Chief of the Ottawa Branch of the Canadian Division at Ottawa, Canada, for 2 years; 1 year as Director of the Canadian Division, and Special Assistant to the Vice Chairman of the WPB. He was with the WPB from 1942 to 1947. From 1948 to October 1950 he was District Manager of the Louisville, Ky., Office of the Census Bureau, Department of Commerce.

In October 1950, he joined the National Production Authority and was made Acting Director of the Canadian Division.

ATTACHMENT B

Total steel, third quarter 1951

[Short tons]

	Stated requirements	Allotments
Military (including AEC)	2,804,669	1,969,000
Consumer durables	3,402,000	2,750,000
MRO	1,200,000	1,200,000
Rated construction	800,000	800,000
Total	8,206,669	6,719,000
Defense Electric Power Administration	[1] 261,371	300,000
Defense solid fuels (coke ovens)	22,635	22,635
Defense transportation	1,427,517	943,783
Federal Security Administration	309,290	175,840
Maritime Administration	272,185	110,000
Petroleum Administration for Defense	2,306,446	1,593,000
Bureau of Public Roads	603,910	300,000
Other		
Economic Cooperation Administration and Office of International Trade	908,175	625,000
Canada	368,744	233,750
Total claimants and miscellaneous	6,480,272	4,304,008
NPA Divisions:		
Agricultural machinery and implements	708,576	673,723
Aircraft	[1] 2,919	13,000
Building materials	1,587,396	1,374,416
Chemicals	41,040	
Communications equipment	80,928	67,700
Construction machinery	716,718	658,682
Containers and packaging	1,715,438	1,647,910
Electrical equipment	[1] 436,069	566,410
Electronics	61,646	52,500
Engines and turbines	687,310	621,350
General components	1,282,586	1,147,750
General industrial equipment	1,965,855	1,715,500
Iron and steel (B products)	205,500	205,500
Leather	22,293	5,689
Lumber	118,581	29,981
Motion pictures	[1] 4,637	8,909
Motor vehicles (except passenger cars)	2,157,057	1,897,601
Ordnance and shipbuilding	170,299	164,269
Railroad equipment	948,070	882,417
Rubber	[1] 27,017	34,246
Scientific and technical equipment	108,065	94,500
Service equipment	45,148	37,295
Mining machinery	105,216	104,818
Aluminum Division	10,000	10,000
Copper Division	22,750	47,475
Total NPA	13,230,104	12,061,891
All other	1,271,641	864,857
Grand total	29,158,686	23,948,750
Estimated supply	20,825,000	20,825,000
Deficit	−8,363,686	[1]−3,123,750

[1] Requirements as originally stated, revisions submitted informally. Overallotment to allow for attrition.

ATTACHMENT C

Carbon steel stated plate requirements, fourth quarter, 1951, as reported by claimants

PAD	[1] 755, 174	Construction and mining machinery	208, 661
Defense	240, 833	Containers and packaging	30, 251
Facilities Bureau	272, 982	Electrical equipment	50, 087
NPA, engine and turbine	230, 019	General components	29, 646
NPA, railroad equipment	640, 488	GIEQ	389, 672
Maritime	101, 165	Iron and Steel Division	21, 813
NPA, Canadian Division	105, 347	Motor vehicle	153, 898
DEPA	39, 136	Ordnance and shipbuilding	123, 269
Public Roads	37, 200	ECA–OIT	95, 705
Subtotal	[1] 2, 422, 344	MRO–NEC	166, 449
AEC	36, 822	Subtotal	1, 438, 104
FSA	26, 854	All others	68, 346
DSFA	21, 717	Grand total	[1] 3, 928, 794
DTA	49, 785		
Agricultural machinery	33, 475		

[1] Includes 535,000 tons, plates which PAD claims for as large-diameter pipe.

ATTACHMENT D

The Department of Commerce reports that it has issued no licenses for the export of scrap to Japan so far this year. However, on investigation it appears that an item of 110 tons shipped to Japan in April, under license and classified as welded pipe, turned out to be scrap.

United States Army reports indicate imports of scrap by Japan from the United States amounting to 12,000 tons in the first 4 months of 1951. This matter is being investigated by the Office of Occupied Areas. The data from SCAP was prepared by Japanese personnel, and the question has been raised whether this may not be scrap shipped from "trusteed territories" listed in error as shipments from the United States.

With respect to scrap originating in Korea, it should be noted that there are two categories: "battle scrap" and scrap belonging to the ROK Government. ROK Government scrap, some of which was accumulated prior to the war and a larger quantity generated since the beginning of the war, is reported to be in the neighborhood of 300,000 tons. Records show that the Lipsett Scrap Co. purchased 10,000 tons from the ROK Government, and this scrap is reported to be moving to the United States at the present time. The Pacific Iron & Scrap Co. is reported to be negotiating with the ROK Government for the purchase of 100,000 tons of scrap which, it is alleged, is destined for Japan. The reason offered is that the bid is over the ceiling price in the United States. There is no information that this contract has been signed. The State Department has interceded with the ROK Government, and it is anticipated that all such scrap will come to the United States.

In the same connection, the military are sending a mission to investigate the entire scrap problem in Korea. Negotiations will be initiated to determine the manner in which "battle scrap" will be distributed.

ATTACHMENT E

Foreign requirements for steel, excluding tin plate, fourth quarter 1951 (including steel for shipment in CMP forms; and for manufacture of "A" products in the United States)

[Short tons]

	Carbon	Alloy	Stainless	Total
Total requirements:				
Canada	426,366	35,084	2,168	463,618
ECA (excluding ECA–OIT special projects and petroleum)	304,500	16,145	2,325	322,970
OIT (including ECA–OIT special projects and petroleum)	688,113	28,074	1,701	717,888
Total	1,418,979	79,303	6,194	1,504,476
Requirements for plates included in the above:				
Canada	105,347	530	172	106,049
ECA (excluding ECA–OIT special projects and petroleum)	30,000	500	200	30,700
OIT (including ECA–OIT special projects and petroleum)	57,774	734	185	58,693
Total	193,121	1,764	557	195,442

NOTE.—No foreign requirements have been submitted for plates, rolled armor.

ECA's breakdown of fourth quarter 1951 stated requirements, by country

[Short tons]

	Carbon total	Plates	Structural
Far-eastern areas:			
Taiwan	8,000		
Indonesia	9,000	1,000	2,000
Thailand	7,500	1,000	2,000
Hong Kong	1,500		
British Malaya	4,000		
Burma	3,000		
Philippines	8,000		
European areas:			
Austria	3,000		1,000
Belgium-Luxemburg	4,000		
Denmark	12,000	4,000	3,000
France	30,000		
Germany	2,000		
Greece	10,000	1,000	2,000
Iceland	1,500	200	1,000
Ireland	5,000	100	500
Italy	26,000	5,000	3,000
Netherlands	15,000	4,000	3,000
Norway	15,000	4,000	2,000
Portugal	10,000	1,000	1,500
Sweden	10,000	2,700	2,000
Switzerland	10,500	1,000	1,000
Trieste	1,500	1,000	
Turkey	8,000	1,000	500
United Kingdom	60,000		
Yugoslavia	18,000	1,000	500
Participating DOT's:			
Belgian DOT	5,000	1,000	2,000
French Indochina	1,500		
Other French DOT's	3,000		
Netherlands DOT's	3,500		
Portuguese DOT's	3,000		
British DOT's	5,000	1,000	3,000
Total	304,500	30,000	30,000

OIT stated requirements for carbon steel for fourth quarter 1951, by countries, where available

	Carbon	Plates		Carbon	Plates
	Short tons	*Short tons*		*Short tons*	*Short tons*
Argentina	17,275		Paraguay	615	25
Bolivia	2,675	50	Peru	9,175	500
Brazil	14,360	625	Salvador	2,285	25
Chile	6,000	400	Uruguay	3,440	300
Colombia	14,125	750	Venezuela	18,285	750
Costa Rica	1,560	45	Other countries	40,212	10,098
Cuba	20,580	2,000			
Dominican Republic	3,830	55	Total OIT-country requirements	208,017	18,970
Ecuador	2,515	100	Voice of America	10,372	1,590
Guatemala	2,360	20	OIT-ECA special projects [1]	295,265	20,300
Haiti	790	5	OIT-ECA petroleum [1]	184,831	18,504
Honduras	1,140	12			
Mexico	44,290	3,000	Total OIT stated requirements	698,485	59,364
Nicaragua	1,325	160			
Panama	1,180	50			

[1] A country breakdown for OIT-ECA special projects and OIT-ECA petroleum stated requirements not presently available.

ATTACHMENT F

United States exports of iron and steel during first quarter 1951, including pig iron but excluding ferro-alloys and scrap, totaled 847,762 short tons. Of this total 160,461 tons went to ECA countries and areas, 258,705 tons went to Canada, while 428,596 tons, or approximately 50 percent, went to other areas of the world. Export figures on second quarter 1951 are not yet available.

With respect to third quarter 1951, the allocation for export of 911,985 short tons of steel (including authorization for export to Canada and ECA and OIT countries and the authorization for export of tin plate) represents about 4.4 percent of estimated shipments from steel mills for third quarter. This can be compared with an export/shipment ratio of 3.7 percent in first quarter 1951 and 3.6 percent in 1950. In 1949, when shipments from steel mills averaged 14,838,600 short tons per quarter, exports were made at the rate of 1,084,000 short tons per quarter and the export/shipment ratio was 7.3 percent. The anticipated shipment of 20,825,000 short tons from steel mills in third quarter 1951 represents an increase of 40 percent over the 1949 shipment rate but the export allocation is 16 percent lower than the export rate in that year.

Foreign requirements on the United States for steel are determined by projects and the other uses to which the steel is to be put. They should be considered in the light of present world circumstances and appraised on the basis of their contribution to the accomplishment of the objectives of this country. Essentiality and urgency of demand must be the overriding factors in determining the amount required for export and the rate at which requirements should be met, supply permitting. (Enunciated by the Director of Defense Mobilization in his memorandum, Subject: Foreign Allocations Policy, May 25, 1951.) A significant part of the steel required for export is for projects which will primarily serve United States interests, such as the production of strategic minerals, or will accomplish other important objectives. Specifications, in a great many instances, can be met only from products of United States manufacture. The relative permanency of the installations for which a large part of the requested steel is to be used means that a large part of the requirements are nonrecurring; that is, once the requirements for certain projects are met, except for repair, alteration, etc., there are no further requirements for those projects.

The net drain of exports of steel on the total United States steel supply has been greatly reduced owing to very large increases in imports. In 1949, the United States was importing steel in the forms now included under CMP at the average quarterly rate of only 75,359 short tons. In that year exports exceeded imports by 4,035,000 short tons, or an average of 1,009,000 short tons per quarter The rate of import has increased steadily since amounting to 740,317 short tons of steel in those forms in the first quarter 1951. Of that total, approximately 92 percent came from ERP countries. (This may be compared with the first quarter figures on exports given above which show that only approximately 20

percent of United States exports of iron and steel, including pig iron, went to ECA countries).

In 1950, exports of steel in CMP forms exceeded imports by 1,577,300 short tons—an average of 394,300 tons per quarter. In the first quarter of 1951, although the rate of export was 14 percent greater than the 1950 rate for steel in those forms, the net drain on the United States amounted to only 16,400 short tons.

In considering exports in relationship to imports by steel mill forms, it would appear that a good deal of cross-hauling takes place in that we ship plates, for example to Europe, at the same time we are receiving plates from Europe. In fact, different products with entirely different uses are in most cases involved. The following four examples are cited:

(1) Belgium ships plates to the United States. At the same time Norway buys open-hearth plates in the United States for its shipbuilding and ship-repair programs. Belgian plates cannot be used by Norway for these programs since they are made by the Thomas process and are consequently not acceptable for insurance purposes which require open-hearth plates.

(2) The United States receives Bessemer structurals from Europe at the same time shipping open-hearth structurals. As in the case of plates, the uses for which the United States ships structurals to Europe are those, such as shipbuilding, for which Bessemer structurals cannot be used.

(3) Switzerland ships bars to the United States at the same time the United States ships bars to Switzerland. However, the bars shipped from Switzerland are high-quality steel used for razor blades, etc., while the bars from the United States to Switzerland are largely structural bars.

(4) The United States is shipping cold-rolled sheets to Europe at the same time receiving hot-rolled sheets from Europe. The cold-rolled sheets going to Europe are largely for the manufacture of military vehicles while the hot-rolled sheets received by the United States are used largely for consumer durables.

An attempt has been made to maintain this flow by DPA–NPA through the issuance of direction 4 to CMP Regulation 1, July 17, 1951, which permits the use of imported steel as "bonus" steel under certain conditions.

United States imports of iron and steel products from principal countries [1]

ANNUAL 1950

[Short tons]

Item	Sweden	United Kingdom	Belgium-Luxemburg	France	Germany	Austria	Switzerland	Italy	Japan	Other countries	Total, all countries
Pig iron and sponge iron	21,993	2,816	8,086	37,639	219,098	56,634				451,593	797,859
Steel ingots, blooms, slabs, billets	27	591	6,421	29,294	916					143,271	180,520
Concrete reinforcement bars		3,374	49,280	1,395	6,223				84	65	60,421
Other bars	879	4,573	65,602	14,563	4,288	30				19,281	109,216
Iron slabs, blooms, and other forms	377									14	391
Wire rods	12,367	3,131	26,614	22,720	44,846	1,130				1,490	112,298
Plates, sheets, and skelp	465	2,799	52,301	64,177	49,447		327		8,360	44,863	222,739
Tin plate and terne plate		185								4,103	4,288
Structural materials	1	20,927	138,986	12,968	3,883					1,091	177,856
Rails and track accessories		853	2,811	1,484	959					1,357	7,464
Tubular products	82	14,048	1,183	2,436	23,027		1	322	15	597	41,711
Wire and wire products	1,856	3,084	7,839	5,158	14,592	116	2	1	418	6,240	39,306
Hoops and bands, cotton ties, nails, tacks, staples, bolts, nuts, and rivets	350	14,521	56,768	10,276	27,708	2,275		106	9,221	5,925	127,150
Castings, forgings, die blocks, blanks	3	207	130	26	28		2	1		9,738	10,135
Total, iron and steel products	38,400	71,109	416,021	202,136	395,015	60,185	332	430	18,098	689,628	1,891,354
Iron and steel scrap	42	8,349	39,092	155,181	185,838		28		113,436	228,665	730,631
Iron ore	2,292,921	840		560						6,908,681	9,203,002

FIRST QUARTER 1951

Pig iron and sponge iron	28,633	2,814	8,465	17,750	109,823	13,835				140,052	321,372
Steel ingots, blooms, slabs, billets	715	811	8,933	21,601	1,355	34			5,002	15,812	54,263
Concrete reinforcement bars		708	19,301	8,252	3,676						31,937
Other bars	800	6,169	20,587	25,779	3,200	883	7,245			2,429	67,092
Iron slabs, blooms, and other forms	161									5	166
Wire rods	3,781	648	5,077	15,682	17,449					1,115	43,752
Plates, sheets, and skelp	24	1,986	48,501	97,318	45,281	570	32	1,488	25,118	19,951	240,269
Tin plate and terne plate		217								80	297
Structural materials		15,914	82,650	32,984	6,627					1,798	139,973
Rails and track accessories		129	392	5,419	781					979	7,700
Tubular products	27	21,656	6,689	12,503	25,114	153		4,166	725	2,813	73,936
Wire and wire products	893	1,304	6,035	5,383	9,529	88		7	625	1,895	25,759
Hoops and bands, cotton ties, nails, tacks, staples, bolts, nuts, and rivets	31	7,213	23,228	13,888	11,861	788		50	1,376	2,540	60,975
Castings, forgings, die blocks, blanks		45	162		44				10	296	557
Total, iron and steel products	35,065	59,614	230,020	256,649	234,740	16,351	7,277	5,711	32,856	189,765	1,068,048
Iron and steel scrap	28	4,585	617	27,073	49,761	279	10,709		27,810	46,546	167,408
Iron ore	525,664	111								1,550,992	2,076,767

[1] Not including ferro-alloys.

NOTE.—The figures represent imports for consumption.

Source: Bureau of Census publications.

Value of United States imports of advanced iron and steel manufactures, machinery, and vehicles from principal countries, annual 1950 and first quarter 1951 [1]

[1] Not including ferro-alloys.

NOTE.—The figures represent imports for consumption.

Source: Bureau of Census publications.

Value of United States imports of advanced iron and steel manufactures, machinery, and vehicles from principal countries, annual 1950 and first quarter 1951 [1]

[In thousands of dollars]

Item	Period	Canada	Sweden	Norway	Denmark	United Kingdom	Netherlands	Belgium-Luxemburg	France
Iron and steel manufactures	1950	534	940	92	167	2,732	54	227	334
	1951, first quarter	181	473	28	66	1,040	22	22	160
Electrical machinery and apparatus	1950	3,140	508	9	133	2,544	645	472	346
	1951, first quarter	1,090	189	1	75	943	172	369	414
Engines, turbines, and parts, n. e. s.	1950	515	64	13	27	504	1	5	(x)
	1951, first quarter	184	8	3	41	86	7	1	(x)
Machinery n. e. s., except agricultural	1950	7,237	1,228	12	230	8,579	252	516	1,033
	1951, first quarter	292	969	5	182	2,671	109	264	395
Agricultural machinery and implements	1950	75,690	118	----------	(x)	796	1	42	1
	1951, first quarter	24,854	41	----------	----------	255	(x)	141	14
Vehicles and parts	1950	5,141	26	71	7	25,901	69	20	1,235
	1951, first quarter	2,579	2	9	4	8,553	24	2	310

Item	Period	Germany	Austria	Switzerland	Italy	Czechoslovakia	Japan	Other countries	Total countries
Iron and steel manufactures	1950	2,247	66	468	257	40	536	104	8,798
	1951, first quarter	1,424	42	201	146	10	502	224	4,541
Electrical machinery and apparatus	1950	583	32	365	25	1	402	238	9,443
	1951, first quarter	567	13	85	33	23	153	84	4,211
Engines, turbines, and parts, n. e. s.	1950	32	----------	16	10	----------	2	----------	1,189
	1951, first quarter	9	----------	----------	6	----------	3	1	349
Machinery, n. e. s., except agricultural	1950	4,526	31	3,855	3,130	115	4,815	102	35,661
	1951, first quarter	1,984	6	1,616	1,270	22	1,598	2,646	14,029
Agricultural machinery and implements	1950	8	1	291	52	----------	11	361	77,372
	1951, first quarter	61	----------	20	19	----------	13	29	25,447
Vehicles and parts	1950	694	11	40	226	219	53	56	33,769
	1951, first quarter	296	7	7	53	34	19	9	11,908

[1] Imports for consumption. N. e. s.—Not elsewhere specified. (x)—Less than $500.

Source: Bureau of Census publications.

87662—51—8

United States exports of iron and steel products, by destination [1]

ANNUAL 1950

[Short tons]

Item description	Total exports to all countries	Canada	ECA countries												Other ECA areas
			Total	Sweden	United Kingdom	Netherlands	Belgium Luxemburg	France	Germany	Switzerland	Italy	Turkey	Hong Kong	Philippine	
Pig iron	6,813	4,829	329		78									205	46
Semifinished steel	59,749	25,603	8,070		7,284		1	5	7	5	708			60	
Tube rounds	1,863	14	1,849		1,821		1				27				
Bars	118,823	58,368	14,872	320	1,152	379	65	412	2	158	745	376	12	5,518	5,933
Wire rods	6,264	1,981	2,863		184						6				2,673
Plates	112,219	49,830	31,304	12,022	21	375	39	59	1	348	614	1,010	245	2,096	14,474
Skelp	116,579	116,577													
Sheets	620,793	163,477	285,782	13,050	42,541	10,216	6,665	68,514	1,571	14,166	40,077	2,126	18,722	10,622	57,512
Strip	92,874	71,888	7,706	189	747	306	150	457	213	385	840		47	303	4,069
Tinplate and terneplate	557,419	8,012	268,965	13,550	1,351	63,174	17,480	1,048		10,732	37,932	9,077	10,232	15,112	89,277
Tanks, except lined	39,143	3,340	6,269		396	2	57				919	153		330	4,412
Structural shapes, unfabricated	153,570	117,000	14,960	2,101	13	226	58	1,475			27	1,831	81	4,042	5,106
Structural shapes, fabricated	110,348	13,686	46,657		4,520	223	27	2,131	41		2,196	15,959	2,950	9,751	8,859
Penstock, fabricated from plates	2,038		87												87
Plates, fabricated, other	5,330	1,697	1,213	479	95	4	77	1				170	23	44	320
Metal lath	2,998	327	409	(2)		3								347	59
Sash and frames	1,254	120	346		(2)							13		292	41
Sheet piling	11,006	2,068	7,160									1,368	135	5,112	545
Rails and track accessories	129,324	4,994	47,614		10	2					14	31,077	1	377	16,133
Pipe and tubes	695,472	180,420	76,212	159	23,632	2,158	505	1,105	15	85	1,574	2,716	391	10,408	33,464
Wire and wire manufactures	115,950	31,175	17,091	4	182	349	164	264	7	153	1,821	1,200	394	4,561	7,992
Castings and forgings	87,807	37,002	4,003	30	476	3	90	16	3	7	208	5	1	1,079	2,085
Total iron and steel products	3,047,636	892,428	843,761	41,904	84,503	77,420	25,379	75,287	1,860	26,039	87,708	67,081	33,234	70,259	253,087
Iron and steel scrap	208,775	81,139	36						25	2				9	
Tin plate scrap	629	46	177											177	
Terneplate clippings and scrap	160	1	140										57		83

Item description	Rest of world													
	Total	Mexico	Cuba	Colombia	Venezuela	Chile	Uruguay	Argentina	Lebanon	Israel and Palestine	Saudi Arabia	Australia	Union of South Africa	Other countries
Pig iron	1,655	650	135	461		155								254
Semifinished steel	26,076	15,690			5	10,307	1			61				12
Bars	45,583	5,808	2,155	7,686	2,455	2,906	323	770	8	10,885	221	356	1,428	10,592
Wire rods	1,420	307		209	5		264			627				8
Plates	31,085	6,205	7,652	3,354	756	1,629	933	835	36	1,552	238	294	75	7,526
Skelp	2	2												
Sheets	171,534	21,326	12,546	15,482	12,855	2,678	7,633	1,917	169	8,971	92	33,025	6,911	47,929
Strip	13,280	4,561	345	1,588	320	215	1,764	104	4	1,023	2	1,054	410	1,890
Tin plate and terneplate	280,442	16,485	20,734	8,053	2,594	1,457	9,896	25,091	2,403	3,138	58	58,406	39,923	92,204
Tanks, except lined	29,534	2,481	1,863	392	2,803	217	200	7,610	5,189	22	3,050			5,707
Structural shapes, unfabricated	21,610	2,945	3,944	1,557	1,008	1,568	218	179	90	520	287	233	1	9,060
Structural shapes, fabricated	50,005	4,356	1,084	2,151	7,778	9,652	348	5,434	61	287	573	291	67	17,923
Penstock, fabricated from plates	1,951	1,369		435										147
Plates, fabricated, other	2,420	285	385	218	246	148	66	19		2	20	21		1,010
Metal lath	2,262	166	55	706	623	19	23	8	1	445	2	1		213
Sash and frames	788	86	64	10	309			24	6	2	17			270
Sheet piling	1,758		11		1,022									725
Rails and track accessories	76,716	44,528	5,337	1,282	567	1,911		14,587		29	152		1,415	6,908
Pipe and tubes	438,840	75,714	14,554	16,170	50,459	10,318	2,044	12,283	50,327	63,151	66,029	129	1,304	76,358
Wire and wire manufactures	67,684	11,404	8,247	9,040	8,726	1,953	696	995	426	3,920	542	335	892	20,508
Castings and forgings	46,802	14,083	2,755	968	1,541	11,070	2	1,979	1	17	139	13	5,344	8,890
Total iron and steel products	1,311,447	228,451	81,866	69,762	94,062	56,203	24,411	71,835	58,721	94,652	71,422	94,158	57,770	308,134
Iron and steel scrap	127,600	124,334		96						7			7	3,156
Tin plate scrap	406	72												334
Terneplate clippings and scrap	19												19	

[1] Excluding ferro-alloys, iron ore, rerolling and relaying rails, and terneplate circles and trips.
[2] Less than 1,000 pounds.

NOTE.—The figures represent domestic exports.
Source: Bureau of Census publications.

United States exports of iron and steel products, by destination [1]—Continued

FIRST QUARTER 1951

[Short tons]

Item description	Total exports to all countries	Canada	ECA countries												Rest of world
			Total	Sweden	United Kingdom	Netherlands	Belgium-Luxemburg	France	Germany	Switzerland	Italy	Turkey	Hong Kong	Philippines	Other ECA areas	
Pig iron	1,120	619	56											56		445
Semi-finished steel	33,365	31,914														1,451
Tube rounds	4	1	3				3									
Bars	41,841	21,016	2,341	4		21	17	5		53	15			1,215	1,011	17,484
Wire rods	886	488														398
Plates	30,609	15,283	1,313	4	180		3	14			123			306	674	13,993
Skelp	18,894	18,690														204
Sheets	161,368	46,330	76,217	1,962	8,950	2,399	848	39,284	262	3,055	8,333			1,539	9,585	38,821
Strip	26,202	20,373	2,324	13	405	54	4	321		191	231	2	1	180	922	3,505
Tin plate and terneplate	152,838	2,175	52,832	5,221		11,988	4,669	57	100	2,148	9,557	987		3,840	14,265	97,831
Tanks, except lined	7,207	931	1,200	2	3		1	1				25		2	1,166	5,076
Structural shapes, unfabricated	47,294	38,708	3,640	33	17			19			168	1,863		1,043	497	4,946
Structural shapes, fabricated	15,484	1,848	5,300		557	200		371			556	687		336	2,602	7,336
Penstock, fabricated from plates	427	2														425
Plates, fabricated, other	3,071	421	2,055		38		52	2			12				1,951	593
Metal lath	1,103	562	55											34	21	431
Sash and frames	241	80	32											28	4	125
Sheet piling	1,442	1,345	26									26				71
Rails and track accessories	37,790	1,189	1,402		4					1		155		32	1,210	34,989
Pipe and tubes	201,269	34,048	6,346	8	429	129	146	202	2	7	384	118		1,026	3,895	159,875
Wire and wire manufacture	41,669	12,046	4,983	2	34	77	77	8	7	52	395	262	66	1,295	2,708	24,640
Castings and forgings	23,638	10,636	327	8	27		54	7			61			106	64	12,675
Total iron and steel products	847,762	258,705	160,461	7,257	10,653	14,868	5,874	40,291	371	5,507	19,835	4,125	67	11,038	40,575	428,596
Iron and steel scrap	38,725	11,066	1	1												27,658
Tin plate scrap	79															79
Terneplate clipping and scrap																

Item description	Rest of world													
	Total	Mexico	Cuba	Colombia	Venezuela	Chile	Uruguay	Argentina	Lebanon	Israel and Palestine	Saudi Arabia	Australia	Union of South Africa	Other countries
Pig iron	445	289	156											
Semifinished steel	1,451	1,449								2				
Bars	18,484	1,841	3,240	1,520	2,504	1,450	123	14	2	5,446	88	4	84	2,168
Tube rounds														
Wire rods	398				87					311				
Plates	14,013	2,632	2,480	817	705	400	201	56		237	316	42	4,952	1,175
Skelp	204									204				
Sheets	38,821	5,748	3,581	2,501	4,578	282	1,446	746	30	1,157	6	6,135	2,861	9,750
Strip	3,505	1,241	44	217	169	127	368			120	3	591	32	593
Tin plate and terneplate	97,831	6,464	5,812	1,567	526		2,563	17,055	179	598		19,101	10,824	33,142
Tanks, except lined	5,076	1,381	770	345	828	41	153	227			94			1,237
Structural shapes, unfabricated	4,946	126	1,764	302	384	637	121	18		178	42	1	711	662
Structural shapes, fabricated	8,327	1,589	452	572	2,610	637	17	14		180	222	20	1	2,013
Penstock, fabricated from plate	425	323		82										20
Plates, fabricated, other	595	251	19	8	117							8		192
Metal lath	486	83	24	219	30	10	2			94				24
Sash and frames	129	3	24	1	22	32				1	3			43
Sheet piling	71		3											68
Rails and track accessories	35,199	12,451	164	70	128	5,876		13,304			296			2,910
Pipe and tubes	160,875	15,440	4,008	2,840	51,032	3,761	61	1,081	11,525	9,666	6,315	19	477	54,650
Wire and wire manufactures	24,640	3,143	4,612	1,481	4,201	777	214	873	8	1,200	59	721	467	6,884
Castings and forgings	12,675	6,904	767	281	520	1,721				23	1	17	53	2,388
Total iron and steel products	428,596	61,358	27,920	12,823	68,441	15,751	5,269	33,388	11,744	19,417	7,445	26,659	20,462	117,919
Iron and steel scrap	27,658	27,658												
Tin plate scrap	79													79
Terneplate clippings and scrap														

[1] Excluding ferro-alloys, iron ore, rerolling and relaying rails, and terneplate circles and trips.

DEFENSE PRODUCTION ADMINISTRATION,
Washington, August 6, 1951.

Hon. JOSEPH C. O'MAHONEY,
Chairman, Committee on Interior and Insular Affairs,
United States Senate, Washington, D. C.

DEAR SENATOR O'MAHONEY: Pursuant to the committee hearings of July 17, 1951, the following information is submitted with respect to the status of a loan applied for by the Colorado Fuel & Iron Corp.

During December of 1950 Pueblo Compressed Steel Corp., subsidiary of Colorado Fuel & Iron Corp., filed for a loan of $80,000,000 under the authority of the Defense Production Act of 1950. The National Production Authority denied the loan because of inadequate equity. On the basis of the denial, Pueblo Compressed Steel Corp. filed an amended $27,720,000 loan application on July 2, 1951, for the purpose of building plant facilities to manufacture oil-country goods. This application is now being processed by the Reconstruction Finance Corporation field office to determine whether it is practicable for Pueblo Steel Corp. to convert to the production of oil-country goods.

Upon receipt of the application and engineering data from the Reconstruction Finance Corporation, the National Production Authority will complete the processing of the application with the minimum of delay.

Very truly yours,

MELVIN ANSHEN,
Acting Deputy Administrator for Program and Requirements.

(COMMITTEE NOTE.—Following is the report of the Petroleum Administration for Defense submitted by the Secretary of the Interior to the Joint Committee on Defense Production under date of October 16, 1951. It is set forth as an appendix to these hearings because of the close relationship of the subject matter to the inquiry of the Senate Committee on Interior and Insular Affairs respecting supplies of steel for petroleum production, refining, and transportation.)

OPERATIONS OF THE PETROLEUM ADMINISTRATION FOR DEFENSE UNDER DEFENSE PRODUCTION ACT OF 1950, OCTOBER 1950 TO OCTOBER 1951

1. Programs conducted by the Petroleum Administration for Defense:

A. Determination and forecasts of demand for crude petroleum and its products are made—

(1) Under normal peacetime and mobilization conditions on a national and on a world-wide basis.

(2) Under assumed requirements for all-out war.

B. Determination of the availability of crude petroleum by areas within the United States, and by countries (excluding the iron curtain).

C. Determination of potential refining capacity by areas within the United States and by countries throughout the world.

D. Determination of the transportation capacity of all facilities commonly used in transporting petroleum or its products. These facilities include pipelines, tank cars, tank trucks, barges, and tankers.

E. Comparison of capacities and availability determined under B, C, D, with demands under A and determination of the deficiencies in availability of petroleum, refining capacity, and transportation facilities, with respect to type, extent, or area deficient and expansion required to meet the forecast of normal peacetime and mobilization demands, and the assumed requirements for all-out war.

F. Determination and forecasts of demand for natural gas and manufactured gas—

(1) Under normal peacetime and mobilization conditions.

(2) Under assumed requirements for all-out war.

G. Determination of the availability of natural gas by areas in the producing fields.

H. Determination of potential capacity for production of manufactured gas.

I. Determination of the transmission capacity of—

(1) Natural-gas gathering systems.

(2) Trunk pipelines.

(3) Distribution systems.

J. Comparison of capacities and availability determined under G, H, and I, with demands determined under F, and the determination of deficiencies in availability, gathering capacity, transmission capacity, manufacturing capacity, or distribution capacity, with respect to type, extent, or area deficient and expansion required to meet the demands for normal peacetime and mobilization and the assumed requirements for all-out war.

K. Determination of capacity of those supporting industries which contribute all or most of their output to the petroleum industry; for example, oil field equipment manufacturers, catalysts, tetraethyl lead. The determination of quantities of products of such manufacturers required to meet the petroleum program, and the amount and type of controlled materials needed by these industries to assure that each operates not only at required capacity but also to provide expansion if capacity is or will be deficient under defense mobilization demands.

L. Determination of materials required under the foregoing programs—

(1) To maintain current capacity.

(2) To provide the essential expansion in capacity determined as necessary under E and J.

M. Claimed for materials required under L before NPA and DPA for all segments of the domestic petroleum industries and supporting industries, and directly and through the medium of the Foreign Petroleum Materials Committee present requirements for materials for foreign operations.

N. Distribution of materials allotted to PAD by DPA:

(1) Distribution to the operating units within each segment of the quantities of materials determined by PAD or FPMC as required in the interests of a balanced petroleum and gas program, world-wide.

(2) The allocation and distribution are carefully worked out to provide the most equitable allocation and distribution possible, giving priority from time to time to the segment or project most urgently needed under the defense mobilization program.

O. Determination of the extent and manner to which the incentives for expansion of capacity are required in each segment of petroleum and gas industries and in the supporting industries. These incentives include certificates for accelerated amortization, defense loans, contracts, and commitments.

2. Authorities from which PAD derives its powers to carry on the portion of the defense mobilization program with respect to petroleum and gas are included in the following list:

The Defense Production Act of 1950	64 Stat. 816, as amended; 50 U. S. C. App. Supp. 2071.
Executive Order 10161, Sept. 9, 1950	15 F. R. 6105.
Executive Order 10200, Jan. 3, 1951	16 F. R. 61.
DPA Delegation 1, Jan. 24, 1951	16 F. R. 738; as amended May 15, 1951, 16 F. R. 4594.
DPA Order 1, May 24, 1951	16 F. R. 4913.
DTA Delegation 6, May 5, 1951	16 F. R. 4149.
NPA Delegation 9, Feb. 26, 1951	16 F. R. 1908.
NPA Delegation 13, May 25, 1951	16 F. R. 5024; as amended June 1, 1951, 16 F. R. 5295.
Supp. 1 to NPA Delegation 13, June 30, 1951	16 F. R. 6406.
NPA Delegation 14, June 7, 1951	16 F. R. 6401; as amended Aug. 3, 1951, 16 F. R. 7628.
Interior Department Order 2591, Oct. 3, 1950	15 F. R. 6767; as amended Dec. 21, 1950, 16 F. R. 9529; as amended Jan. 29, 1951, 16 F. R. 932; as amended Mar. 27, 1951, 16 F. R. 2896.
Revenue Act of 1950, Sept. 23, 1950	64 Stat. 939.

Interior Department Order 2193 established the Oil and Gas Division as a function of the Secretary's Office. Interior Department Order 2602, issued December 1, 1950, transferred to PAD most of the Oil and Gas Division functions except the administration of the Connally "Hot Oil" Act.

The original source of authority is the Defense Production Act of 1950, and amendments thereto, which gives to the President certain powers and functions deemed by the Congress necessary to carry out the defense mobilization program. The President was given authority to delegate these powers and functions.

The President had an additional source of authority with respect to certificates of necessity for accelerated amortization for tax purposes of the cost of new facilities which contribute substantially to the defense programs. This authority was established by section 124 (a) of the Internal Revenue Code, as added by section 216 of the Revenue Act of 1950 (Public Law 814, 81st Cong.).

The President, by Executive Order 10161, September 9, 1950, delegated most of his authority to various agencies. Authority with respect to petroleum and gas (among other matters) was delegated to the Secretary of the Interior.

Executive Order 10172, October 12, 1950, delegated certification authority for certificates of accelerated amortization for tax purposes to the Chairman of the National Security Resources Board.

Executive Order 10193, December 16, 1950, established the Office of Defense Mobilization with a Director at the head of it. The President delegated to the Director broad powers conferred upon him with specific authority to direct and control all phases of the defense mobilization program.

Executive Order 10200, January 3, 1951, established the Defense Production Administration and terminated the delegations of authority previously made to the Secretary of the Interior, as well as to others, and established this authority in the Administrator of the Defense Production Administration with provision that the necessary authorities with respect to petroleum and gas, previously delegated to the Secretary of the Interior, would be redelegated to him by the Administrator of DPA. This was accomplished by DPA Delegation 1, which gave to the Secretary of the Interior powers with respect to petroleum and gas (among other matters). These powers include—

(1) Priorities and allocations.

(2) Claimant agency for materials and facilities and provision for other agencies to come to the Department of the Interior to claim petroleum, gas, solid fuels, and electric power.

(3) Recommendations on certificates of necessity.

(4) Guaranteeing agency to develop and promote measures for the expansion of productive capacity and of production and supplies of materials and facilities necessary for the national defense.

(5) Guaranteeing agency function to guarantee in whole or in part any private or public financing.

(6) The power relating to voluntary agreements under section 708 (a) of the act (not to be redelegated).

The Secretary of the Interior issued Interior Order 2591 October 3, 1950, which established the Petroleum Administration for Defense with the Secretary of the Interior as Administrator and with a Deputy Administrator to be appointed by the Secretary. This order, together with amendments, delegated to the Deputy Administrator most of the functions and powers the Secretary had received under Executive Orders 10161 and 10200 and DPA Delegation 1 with respect to petroleum and gas.

Interior Order 2591 specifies the following functions:

(1) The determination of requirements of various claimant agencies for petroleum and gas: This function has been exercised in an informal manner since as to most products there have not been critical supply problems.

(2) Allocation of petroleum and gas among said claimants and, under appropriate circumstances, to the public and industry in general: This function will not be exercised until there is an insufficient amount of petroleum and gas to provide all of the claimants with the amounts they need.

(3) The establishment of programs and policies with respect to the operation of petroleum and gas industries: The various programs of PAD outlined above are being operated under this broad provision with the objective of insuring additional petroleum and gas facilities to meet increasing demands for petroleum, gas, and their products.

(4) The development with other Government agencies of arrangements relating to industry operations, materials, manpower procurements, financing loans, etc.: Under this authority the PAD has worked out arrangements with other Government agencies which are treated in the "Cooperative operations with other agencies" discussed below.

(5) Claiming on behalf of, and distribution to, petroleum and gas industries of materials, facilities, and commodities: This is the function and responsibility which has received the most attention from PAD. The successful provision of petroleum, gas, and their products depends basically on adequate material. It is, of course, primary in the anticipation and avoidance of

supply problems that this first step receive first consideration. Activities under this responsibility are the allocation of steel, manufacture of oil-country tubular goods, and distribution of the finished materials to users under the jurisdiction of PAD.

(6) Recommendations for necessity certificates under authority which has its source in the Internal Revenue Act of 1950 and the Internal Revenue Code: PAD recommends accelerated amortization for tax purposes when this is necessary in the judgment of PAD to provide incentive to construct new or expanded facilities for defense purposes in the petroleum and gas industries. PAD acts as a recommending agency only. The Defense Production Administration has final authority in the issuance of these certificates.

(7) Voluntary agreements under section 708 (a) of the Defense Production Act: The Petroleum Administration has initiated and brought into being in accordance with statutory requirements a voluntary agreement relating to the supply of petroleum to friendly nations (June 25, 1951). A Foreign Petroleum Supply Committee and appropriate subcommittees have been established to advise the Administration as to actions which can be taken to alleviate petroleum problems abroad.

(8) Issuance of petroleum and gas industries orders and directives: Not included in this report.

(9) Interagency relations: The PAD is related to other defense agencies in the defense set-up. The Defense Production Act sets out the policy which is to be followed by PAD and other Government agencies in the defense picture. PAD acts as a claimant agency before the Defense Production Administration and industry committees of NPA, presenting its requirements for material. PAD maintains close relationship with NPA on operating mechanics and procedures, and several agreements have been worked out between the two to eliminate overlapping responsibilities and establish a sound organizational pattern. Agreements have been worked out with other defense agencies and informal working relationship established with OPS, where appropriate. Other agencies such as Defense, State, ECA, and OIT are related to PAD activities both by direct contact and interagency committees. The Secretary of the Interior has made available to PAD the services of several of the bureaus of the Department of the Interior.

(10) Loans, purchases, and commitments: PAD has the function of recommending that loans be granted in specific cases with respect to petroleum and gas considered necessary to promote the defense mobilization program. Under Executive Order 10281 application for defense loans is made to the RFC. To grant a defense loans the RFC must obtain from the DPA a certificate of essentiality. The DPA in turn relies upon the PAD for a technical report and analysis of all loan applications covering petroleum and gas facilities.

(11) Requisitioning of property.

(12) Internal administration of PAD.

(13) Creation and appointment of industry advisory councils and committees: The PAD actions under this authority are discussed below in connection with "Industry advisory committees."

(14) Power to redelegate any powers or authority given under this order: This power to redelegate has been exercised by the Deputy Administrator to a limited extent. Most of the delegations within PAD have concerned only the signing of correspondence, the processing of requests for priorities assistance, and other matters directly related to effective administration. As required by the order, these redelegations are limited to PAD or other appropriate Government officials.

DPA Order 1, issued by the Defense Production Administrator May 24, 1951, designated the claimant agencies which were designated as claimants to present requirements to DPA for programs and areas as specified. PAD was given this authority with respect to production, processing and refining, and distribution of petroleum and gas.

NPA Delegation 9: See "Agreements" in question 3.

DTA Delegation 6: See "Agreements" in question 3.

DPA Order 1: See above.

NPA Delegation 13: See "Agreements" in question 3.

NPA Delegation 14: See "Agreements" in question 3.

Supplement 1 to NPA Delegation 13: NPA delegated to PAD the authority to reschedule deliveries.

3. In regard to cooperative operations with other agencies, there are various agreements and delegations, both from and to the Petroleum Administration for Defense, which evidence working arrangements:

A. NPA–PAD agreement, dated November 15, 1951:

(1) PAD to serve as claimant agency before NPA for materials for domestic petroleum and gas operations. PAD to handle all petroleum and gas matters.

(2) PAD to distribute materials for the petroleum and gas industries. Programs and procedures to be worked out by PAD and incorporated in NPA orders and regulations. NPA to delegate any necessary authority to PAD.

(3) Special arrangements to be made, when necessary, regarding machinery and materials used primarily by oil and gas operators, and NPA to delegate necessary authority to PAD.

(4) Special arrangements to be made for the distribution of some special petroleum or gas products.

(5) NPA and PAD agreed to maintain close liaison.

B. NPA–PAD agreement, dated January 17, 1951:

(1) NPA agreed to delegate to PAD its authority over production and distribution of—

(*a*) Tetraethyl lead fluid.
(*b*) Petroleum cracking catalysts.
(*c*) Special inhibitors used in gasoline.
(*d*) Lubricating oil additives.
(*e*) Fluids and additives made specially for oil and gas drilling and for demulsifiers.

(2) PAD agreed to delegate to NPA authority over production and distribution of—

(*a*) Carbon black.
(*b*) Ammonia.
(*c*) Butyl or other synthetic rubber.

(3) PAD agreed to delegate to NPA the distribution of—

(*a*) Petroleum coke.
(*b*) Naphthenates.
(*c*) Chemical grade aromatics: Benzene, toluene, xylene, ethyl benzene, styrene, other purified aromatics.
(*d*) Oxygenated compounds: Alcohols, aldehydes, ketones, organic acids.
(*e*) Phenols and phenolic compounds.
(*f*) Insecticides, fungicides, and herbicides.
(*g*) White oil petroleum, etc.
(*h*) Special waxes and polishes, not paraffin or crystalline.
(*i*) Detergents.
(*j*) Plastics.

(4) NPA agreed to delegate to PAD the authority over production and distribution of various types of oil field machinery and equipment.

C. PAD-Defense Transport Administration agreement, dated June 27, 1951: To make more effective use of domestic transportation facilities in moving petroleum. No delegation was thought necessary.

D. NPA Delegation 9: Delegates authority of NPA to the Secretary of the Interior over the production and distribution of certain industrial chemicals:

(1) Tetraethyl lead fluid.
(2) Petroleum cracking catalysts.
(3) Special inhibitors.
(4) Lubricating oil additives.
(5) Fluids and additives made specially for oil and gas drilling and for demulsifiers.

E. NPA Delegation 13 to the Petroleum Administrator for Defense and other officials of PAD: Delegates the authority to issue authorizations and directions, either unconditionally or subject to conditions. This covers the use, delivery, receipt, or distribution of materials. Supplement 1 to this delegation delegates the authority to reschedule deliveries of controlled materials. In effect, Delegation 13 gives authority to PAD to issue its own construction orders and regulations.

F. NPA Delegation 14: Delegates authority to the Petroleum Administrator for Defense and to other agencies authority to process applications for construction under NPA Order M–4 and CMP Regulation 6. The delegation to PAD pertains to facilities for the production, processing, refining and distribution of petroleum and gas facilities and the production, processing and distribution of products listed in Delegation 9.

G. PAD Delegation 1, dated April 18, 1951:

(1) This delegation delegated to NPA the authority over production and distribution of—

(*a*) Carbon black, including channel black and furnace black.

(*b*) Ammonia.

(*c*) Butyl rubber (copolymer of isobutylene and isoprene), S-type rubbers (copolymers of butadiene and stryene), N-type rubbers (copolymers of acrylonitrile and butadiene), and polybutadiene rubbers.

(2) PAD delegated to NPA the authority over distribution of—

(*a*) Polymers of isobutylene having a molecular weight of 10,000 and higher and free of other substances.

(*b*) Naphthenic acid and naphthenates, copper, and other metallic.

(*c*) Chemical grade aromatics except mixed cuts used for fuel or solvents:

(*aa*) Benzene.

(*bb*) Toluene.

(*cc*) Xylene.

(*dd*) Ethyl benzene.

(*ee*) Styrene.

(*ff*) Other purified aromatics.

(*d*) Oxygenated compounds such as—

(*aa*) Alcohols.

(*bb*) Aldehydes.

(*cc*) Ketones.

(*dd*) Organic acids.

(*e*) Phenols and phenolic compounds.

(*f*) Insecticides, fungicides, and herbicides.

(*g*) White oil petrolatum and other oils used for medicinal, pharmaceutical, and cosmetic purposes.

(*h*) Special waxes and polishes (excludes paraffin waxes and microcrystalline waxes).

(*i*) Detergents exluding sulphonates.

(*j*) Plastics such as Polythene.

H. PAD Delegation 2, dated May 14, 1951: This delegation delegated authority over the distribution of petroleum coke to the Administrator of the Defense Solid Fuels Administration.

I. DTA Delegation 7, dated May 7, 1951: This delegation by the Defense Transport Administration delegated to PAD the authority to exercise control formerly held by DTA over facilities for bulk (tank) storage of petroleum and gas. The reason for this delegation is that storage of petroleum products is closely integrated with the refining and marketing thereof.

J. PAD is undertaking to work out a definite working arrangement with the Federal Power Commission since both agencies have duties and responsibilities with respect to the natural gas industry. The purpose of the arrangement would be to assure—

(1) The maximum interchange of assistance and information between the two agencies which is consistent with the effective discharge by each agency of its duties.

(2) A minimum of interference by either agency with the accomplishment by the other of its proper objectives.

4. PAD has representation on the following interagency committees:

Office of Defense Mobilization: Foreign Materials and Requirements; Defense Transportation and Storage.

Defense Production Administration: Program and Requirements Committee; Program Adjustment Committee; Resources Expansion Committee; Defense Production Information Committee.

National Production Authority: Numerous committees dealing with materials and equipment.

Defense Transport Administration: Interagency Advisory Committee on Defense Transportation and Storage and Port Utilization.

The PAD chairman's two interagency committees:

(1) Foreign Petroleum Committee: PAD Chairman; Department of Defense (Munitions Board, Office of Petroleum Programs); Department of Commerce (Office of International Trade); Department of Commerce (Maritime Administration); Department of State; Economic Cooperation Administration; Defense Production Administration; and National Production Authority.

(2) Foreign Petroleum Materials Committee: PAD Chairman; National Production Authority; Department of State; Department of Defense; Department of Commerce (Office of International Trade); Defense Production Administration; and Economic Cooperation Administration.

The PAD has cooperative agreements with the Bureau of Mines and the United States Geological Survey, under which these agencies furnish special statistical surveys and carry on technical field studies of direct value to PAD in carrying out its responsibilities in defense mobilization.

In addition to the foregoing formal and informal cooperative operations with other agencies, PAD has worked closely with the Federal Power Commission relating to natural gas matters and with the Interstate Oil Compact Commission and with the individual State regulatory bodies, particularly the Texas Railroad Commission and the Louisiana Department of Conservation. PAD undertakes to keep these organizations currently informed on supply and demand programs on gas; solicits and has received cooperation in making more effective PAD's program with respect to drilling of wells and production of oil and gas. Additionally, by reason of the so-called Bow amendment to the Defense Production Act, PAD works closely with State regulatory bodies with respect to restrictions on the use of natural gas.

The studies, surveys, and forecasts outlined in section 1 of this report have been compiled and are being currently kept up to date.

As a claimant agency, PAD has consolidated the requirements for controlled materials disclosed by the studies and has presented these requirements to the National Production Authority and Defense Production Administration. Quantities allocated to the petroleum and gas industries are then distributed by PAD to all segments of the petroleum and gas industries making the distribution as equitable as possible, but at the same time giving priority where necessary to expedite progress toward meeting production goals under the over-all defense mobilization program.

One phase of the distribution program seems to be working satisfactorily. At the request of PAD, NPA issued a directive to pipe mills producing oil-country tubular goods, particularly oil-well casing, tubing, and rotary-drill pipe. Under this directive, PAD asked for and received the quantity of pipe determined to be necessary to drill a minimum of 43,400 wells during the calendar year 1951, which drilling had in turn been indicated as necessary to maintain the national producing capacity of petroleum and gas, and to provide additional amounts necessary for the discovery of new deposits of petroleum and gas. This phase of the program appears to be running slightly ahead of schedule with the indication that the number of wells indicated will be slightly exceeded and that at least in number discoveries of new fields are exceeding the discovery rate in 1950.

All programs for expansion of facilities are behind schedule, and there will be further slippage unless more steel and copper are made available for the construction of oil pipe lines, gas transmission lines, and refinery construction.

Materials required for construction of new facilities must be applied for on Form PAD–26. These forms were made available to the industries in May 1951, and the first applications were received June 11. Through September 30, 2,262 applications had been received for domestic operations. Of these, 1,761 had been approved and issued, 115 were deferred or handled otherwise, and 386 were still under study.

Ninety-five of the approved and issued applications for authority to construct concern refining capacity and provide a total increased capacity as follows:

	Barrels per day
Crude run capacity	777, 495
Alkylate production (for aviation gasoline)	26, 210
Catalytic cracking capacity	454, 100
Catalytic reforming	105, 105

Additional applications on hand indicate that the refining segment of the petroleum industry is planning expansion at a rate adequate to meet the program considered necessary through 1953. If materials of construction were available,

it would appear that the program could be met. The actual program is lagging because of shortage of materials. Of the materials allotted for refinery construction in the third quarter of this year approximately one-third could not be obtained. The record for the fourth quarter will probably be somewhat better but present indications are that at least one-fifth of the allotted materials will not be delivered. The interference with construction schedules is greater than the percentages indicate.

It is optimistic to look for completion of refining facilities in less than 18 months to 2 years with present materials deliveries. Furthermore, after allowance is made for materials needed to build urgently needed facilities for military aviation gasoline and other products in critical short supply no material appears available in the first quarter of 1952 to start construction of the additional refinery projects which must be approved to meet the program. The time required for the construction of refinery facilities will make it impossible to retrieve lost time. Unless the approved projects receive the allotted materials as scheduled and the required new projects can be given allotments in the first and second quarters of 1952, the program cannot be fulfilled.

Until the shut-down of Iranian oil production the short-term domestic supply and demand for petroleum products were in balance. The Iranian crisis has so far been met by reduction in stocks. A shortage of some products, notably fuel oil, is probable this winter. Regardless of the ultimate restoration of Iran to production there is little or no available surplus capacity to meet all-out war demands. Experience during World War II indicates that the maximum which can be saved by the most severe rationing will be at best barely sufficient if there are no losses of capacity by enemy action, sabotage, or from other causes. Moreover, the programed expansion assumes restoration of Iran to production and is adequate only for the stepped-up industrial and defense demands of the present period of partial mobilization plus the normal growth of civilian demand with the result that no reserve capacity is now being provided. If material shortages prevent fulfillment of the program the demands of partial mobilization cannot be met without recourse to rationing and the demands of full mobilization cannot be met with any degree of rationing that will not itself impair defense. Any facilities for reserve against enemy action or sabotage must be added to the present program.

The supply situation for aviation gasoline is particularly acute, and special efforts must be made to assure the construction of the necessary alkylation plant capacity.

The increased demand for motor gasoline and for aviation gasoline has greatly increased normal requirements for tetraethyl lead. Manufacturing capacity for this product is not expanding rapidly enough to meet the indicated requirements although the plants planned or under construction will probably be sufficient except for delays in obtaining the necessary materials. On a current basis, the production of tetraethyl lead is jeopardized by restrictions on the availability of metallic lead. The supply of tetraethyl lead has been tight for several months with restrictions in effect to limit its usage and attempt to build a stockpile for emergency requirements of the military. The military requirements must be met; hence any further restriction in availability will have an immediate impact upon the quality of motor gasoline available to the general public and ultimately may have an effect upon the amount available.

Under the incentive plan for expansion of industries contributing directly to the defense effort, PAD has the responsibility for recommending to DPA certification for accelerated amortization for tax purposes of qualified projects which meet the standards.

A total of 808 applications for certificates have been received from DPA, 355 recommendations have been made for the issuance of certificates, and 85 denials have been recommended. PAD has pending 368 applications upon which action is suspended by the moratorium.

5. The Gas Industry Advisory Council is established under section 701 (b) of the Defense Production Act of 1950. It was established in March 1951, by the Secretary of the Interior, for the purpose of obtaining advice from the gas industry (both natural and manufactured gas) in connection with the gas defense responsibilities delegated to the Secretary of the Interior under the Defense Production Act. Members of this Council were appointed by the Secretary of the Interior with careful consideration being given to assure adequate representation from large and small companies and all geographic areas of the country. Advice of this Council is available to other governmental agencies.

The Secretary of the Interior, with the approval of the Attorney General, has made available to PAD the services of the National Petroleum Council which was created in June 1946, by the Secretary of the Interior, at the express suggestion of the President, to provide advice and counsel on national oil and gas matters and to serve as the channel of communication and liaison between the Federal Government and the petroleum industry. The membership of this Council was carefully selected to assure that all segments, such as production, refining, marketing, etc., of the petroleum industry would have appropriate representation from all geographic areas of the country with due regard to the interests of both large and small operators. This Council is the peacetime equivalent of the Petroleum Industry War Council and has served the Federal Government continuously since its inception. Services of NPC have been and are available to other agencies of the Federal Government through the Secretary of the Interior.

The Secretary of the Interior and Petroleum Administrator for Defense arranged, through ODM and DPA, for the appointment of 19 companies to membership on the Foreign Petroleum Supply Committee established under terms of the Voluntary Agreement Relating to the Supply of Petroleum to Friendly Nations which was authorized, after consultation with the Attorney General and the Chairman of the Federal Trade Commission, by the Director of Defense Mobilization in accordance with the provisions of section 708 of the Defense Production Act of 1950. The Committee is composed of the 19 American companies engaged in foreign operations which are participants in the Voluntary Agreement. The agreement authorizes the formation of this Committee and its subcommittees to consider and make recommendations designed to prevent, eliminate, or alleviate shortages of petroleum supplies in friendly foreign nations which threaten to affect or which do affect adversely the defense mobilization interests or programs of the United States. The work of these committees has consisted of making surveys of supply and consumption of petroleum in foreign areas and the recommending of measures to offset the deficit of crude oil and refined petroleum products resulting from the interruption of petroleum operations in Iran. The members of the Committee and its subcommittees are appointed by the Administrator from the participating companies as provided in the voluntary agreement. No participating company, large or small, which desires it, is denied representation on any committee under the voluntary agreement. The work of these committees in the making of surveys and the determination of stock levels and consumption in friendly foreign nations exclusive of Mexico and Canada is utilized by the Defense Department, State Department, Economic Cooperation Administration, and the Office of International Trade and United States Maritime Authority of the Department of Commerce.

6. At the close of September 30, 1951, the PAD staff had 353 employees on its roll. Of these, 288 occupied classified positions; 27 are administrative, executive, or technical personnel serving without compensation appointed under section 710 (b) of the Defense Production Act of 1950; 31 are part-time consultants serving without compensation appointed under 710 (b) of the Defense Production Act; and 7 employees are experts or consultants with compensation appointed under 710 (c) of the Defense Production Act.

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